

PHONES AND MAIL TAMPERED WITH, SAYS CND

By CHARLES LAURENCE

A DOSSIER compiled by the Campaign for Nuclear Disarmament on alleged telephone "taps" and apparent interference with mail is to be presented to the House of Commons Home Affairs Committee which is reviewing the activities of the police Special Branch this week.

It will be part of the evidence put forward to MPs on Wednesday by the National Council for Civil Liberties, which also has a file of complaints alleging interference with telephones arising out of the miners' strike.

Officials of both the CND and the NCCL admit that they have no hard evidence of covert surveillance of either anti-nuclear campaigners or striking miners but say there is a "pattern of allegations" which has not been satisfactorily explained. The Post Office has already apologised to CND for mail being damaged, opened in transit or arriving late. It has sent them a cheque for £100 to compensate for the expense of re-mailing returned post and the time spent on compiling evidence of the damage.

Sorting machines

Problems with high-speed sorting machines, particularly in Glasgow, are held to be the likeliest cause of the damage but the Post Office is continuing investigations into the possibility that staff members are responsible.

A letter written on behalf of Sir Ronald Deane, chairman of the Post Office, and signed by his personal assistant Christina Lomas, says: "It is evident that something is going badly wrong within our system, and I want to assure you that we view this extremely seriously."

"Whilst there is no evidence at this stage that members of our staff have been interfering with your mail deliberately, we are very anxious to ensure that this is not happening and if it is found that there has been any tampering, very severe action will be taken against the culprits."

Mrs Joan Ruddock, chairman of CND, said: "Postal workers are not to blame but some government department is involved in surveillance. This is a covert action, and being done in an entirely unjustified and undemocratic way."

Played back

Leading CND members and officials have also reported difficulties with their telephones.

Mrs Ruddock said she once heard a telephone conversation she had just made played back to her when she next lifted the receiver—she admits this is not a phenomenon usually associated with tape recording and claim to have found themselves

connected to the Ministry of Defence or the local police station when dialling CND headquarters.

CND also claims repeated incidents of members' telephones "going dead" when they try to use them to ruse up demonstrators to harass cruise missile convoys leaving the Greenham Common base.

Miss Sarah Pepper, CND membership secretary, said an appendix to the dossier for the NCCL listed 22 documented cases of damaged post with 20 documented cases of telephone interference.

More complaints

A spokesman for the NCCL said: "What we can tell the Home Affairs Committee is that we have had an increase in complaints this year most stemming from the miners' strike and that we think there is a pattern to the allegations."

The committee, chaired by Sir Edward Gardner, Conservative MP for Fylde, is looking into all aspects of Special Branch operations and has insisted on taking evidence, even from chief constables, in public.

The Home Office last night refused to comment on the CND allegations, in line with usual policy on mail and telephone surveillance. British Telecom referred all inquiries to the Home Office.

Official figures show that in 1979, the Home Secretary authorised 411 telephone taps and 52 mail surveillance operations in England and Wales, while the Scottish Secretary authorised 56 telephone taps in Scotland.

GREENHAM DEMO
Two arrested
In one of the biggest demonstrations for months yesterday, the 40 diehard "peace women" who live permanently around Greenham Common, a missile base, were joined by more than 700 supporters for a day-long protest.

Two women were arrested after attempts were made to rip down the wire fence which surrounds the heavily guarded Berkshire base.

Other women draped the fence with Christmas decorations.

Archbishop criticises 'inept' religious poll

By Canon D. W. GUNDRY Churches Correspondent

A GALLUP Poll seeking "yes" or "no" answers to religious questions is described by the Archbishop of York, Dr John Habgood, as "theologically inept" and some of the questions as "nonsense."

The results of the poll are published today. It was commissioned at a cost of £4,000 by the strongly evangelical Church Society.

It asked members of the Church of England if they believed in the Virgin birth, Christ's physical resurrection, and the literal truth of miracles, whether the Queen should remain Supreme Governor of the C of E, and whether the Church should take sides in politics.

Liberal view

The Rev Dr David Samuel, director of the Church Society, said that by using a body such as Gallup "we would have an objective picture of the doctrinal, moral and political state of the Church of England."

He admitted that he expected to find the laity orthodox in their views, but this was not the case. There seemed to be a balance between those who hold what Dr Samuel regarded as traditional biblical teaching and those who had "embraced a rather new, liberal view in doctrine and morals."

Dr Samuel found it difficult to believe how Christianly hard made its way in the world unless it was simple, and argued that "God has spoken to us in propositions."

Mrs Gordon Head, of Gallup, said the poll did not reveal lack of faith. Among the clergy, including bishops, two out of every three believed in the Virgin birth as an historic event.

But another question tried to force respondents to say that Christ's resurrection was either a physical resurrection or a spiritual experience of the disciples. It took no cognizance of St Paul's explanation in 1 Corinthians 15, that Christ's risen body was a spiritual body.

The Bishop of Durham, the Rt Rev David Jenkins, has always confessed that he believes as St Paul did.

Dr Habgood conceded that some questions in the poll were straightforward, as when four out of five Anglicans favoured having women priests and one out of five Roman Catholics thought the C of E should go ahead with the ordination of women. Four out of five Anglicans and nine out of ten Catholics wanted unity talks between the two churches to proceed.

The doctrinal questions raised by the poll are not new. The poll does not take account of the revolution of knowledge about how the world is constituted and the changed ideas about the nature of religious truth, which has emerged as a result of scientific and philosophical thinking.

**BOMB BLAST P
RESUMES DUTIES**

Policeman John Gordon, 31, of Chalfont St Giles, Bucks, who lost both legs after the Harrods bomb blast last Christmas, reports for duty today for the first time since the outrage. He is to resume light duties at the Uxbridge police station.

The P.C.'s determination has meant a return to work inside the deadline he set himself after the IRA attack—to be back at work within a year.

RUGBY MAN DIES

A post mortem examination will be held today on rugby player Nick Green, 24, who collapsed playing for Streatham-Croydon at Rugby, Warwickshire, on Saturday. A computer operator, of Ogle Road, Fulham, he was making his first XV debut at lock forward.

BRIEF ENCOUNTER

Brother Martin Lynch, a monk whose freshly-laundersed spare underwear was mistakenly put into a female sale while he was visiting a convent at Nympsfield, Gloucestershire, has had them returned.



Linda Brimblecombe, 18, among the shelves of the shop and off-licence in Ashburton, Devon, which she takes over today. She recently finished a youth training scheme course at the shop and so impressed the owner, Mr Eric Barnes, that when he put the shop on the market he decided to sell it to her. Linda raised the £35,000 purchase price with loans from her parents, her bank, and Mr Barnes himself.

Sharp rise in custody terms for youngsters

By TERENCE SHAW Legal Correspondent

A SHARP rise in the number of juvenile offenders this year is disclosed today by the National Association for the Care and Resettlement of Offenders.

Survey returns from 30 local authorities showed that the number of juveniles sent to penal establishments from January until the end of June was 21 per cent higher than in the second half of 1983.

Youth custody sentences imposed on juveniles rose by 37 per cent, and detention centre orders by 15 per cent. The increase in care orders was 36 per cent.

The survey was conducted by the association to assess the impact of the 1982 Criminal Justice Act which came into force in May 1983. It replaced Borstal training with a new "youth custody" sentence, provided for shorter detention centre orders and gave courts new powers to pass non-custodial sentences.

National picture

As only 35 of the 115 local authorities in England and Wales who were asked for information provided usable material for the survey, the report says that it cannot be assumed that the results reflect a national picture.

But if the apparent marked increase in the use of custody and care orders is presumed to be general, there are ominous forebodings for the future. The report says that the Act is not working as intended, says the report.

The decline in the use of intermediate treatment and the fact that, with the exception of community service orders, relatively little use is being made of the non-custodial provisions of the Act, indicates that it is not having the effect on keeping juveniles out of institutions.

Sharp increase

Commenting on the result of the survey, Mrs Vivien Stern, the association's director, said that if the sharp increase in custody sentences was "typical of the country as a whole, it must concern everyone who wanted to see a reduction in juvenile crime."

"Seven out of every 10 youngsters leaving penal establishments were back before the courts within two years. The 1982 Act was intended to help the courts use non-custodial sentences wherever possible. The Government, the courts and the agencies working with young offenders must urgently examine what seems to have gone so badly wrong with this legislation and work together to put it right."

Last week the Prison Officers' Association claimed that the effect of the new Youth Custody sentence was encouraging brutality and drug abuse by older offenders sent to youth custody centres. A Prison Department inquiry has been ordered after the association's disclosures.

STEEL'S SON

FINED £50

AFTER FIGHT

The adopted son of Mr David Steel, the Liberal leader, was fined £50 at Horseferry court at the weekend. William James Steel, 20, an actor, of Beatty House, Dolphin Square, Piccadilly, pleaded guilty to disorderly behaviour and failing to appear in court when the case was first called. He was fined £25 on each charge.

Mr James Jobling, magistrate, told Steel: "You are getting yourself quite a little record. Go on being disorderly and you may find yourself in quite a lot of trouble."

In a statement issued on behalf of the Liberal leader afterwards, Mr Steel said: "Bill is extremely contrite and very much regrets the whole incident."

The court was told that he was arrested on Thursday night when he was involved in a fight on the forecourt of Victoria station.

L-drivers to see league tables of instructors' success

By JOHN LANGLEY Motoring Correspondent

LEARNER drivers should soon be able to compare the success rate of local driving schools in getting pupils through the test. "League tables" will be available showing the pass rate of each individual on the register of Approved Driving Instructors, as well as every school in the area.

Examiners will also be coming under closer scrutiny.

Computer analysis of their marking sheets will be able to show up examiners who are not doing their job correctly.

And test candidates who have failed will get a clearer idea of the reasons being given by a duplicate copy of the marking form, according to the Driving Instructors' Association.

The reforms were hailed yesterday by the Association as a major step in helping learner drivers. "It is about time—years have been pressing since 1977 for these league table results to be published," said the Association's chief executive, Mr Graham Fryer.

Taken for a ride

"Often people have chosen a large school, only to find their teacher is a trainee. Or they have picked a small, apparently cheap one and found they were being taken for a ride."

"With league tables available for reference, the quality of instruction will be as plain to see as the DoT fuel consumption figures which are compulsorily shown on new cars."

The reforms are based on recommendations in the Rayner scrutiny, which studied the driving test organisation.

It was set up under the régime of Lord Rayner, the Government's former special adviser on cost savings and efficiency in the Civil Service.

DO NOT GIVE CIGARETTES, SAYS BMA

By Our Health Services Correspondent

A warning against giving cigarettes as Christmas presents was issued by the British Medical Association yesterday.

Dr John Havard, secretary of the association, said that smokers should not be fooled by the jolly Christmas wrappings of tobacco products. He said: "The product is dangerous. The package should be plain and the health warning clear."

"People should not be tricked into buying cigarettes or tobacco as Christmas presents and the industry should not be allowed to dress up packets of cigarettes in this way."

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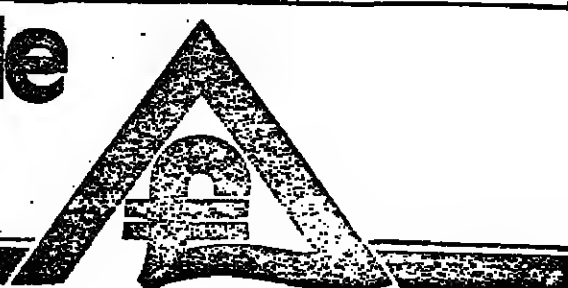
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RAF RESUMES FAMINE AID AIRLIFT

By R. BARRY O'BRIEN in Addis Ababa

THE RAF famine airlift in Ethiopia was again fully operational yesterday with the arrival of more grain ships at the Red Sea port of Assab.

The new shipments have enabled the two Hercules C-130s to resume their normal six flights daily, which were halved by supply hold-ups on four days last week.

One plane made three flights yesterday.

It carried wheat from Assab to Axum and Makale in the drought-stricken North Ethiopian highlands while the other made three flights with loads of blankets to the Alamata airstrip serving the big Keren famine relief centre.

"We are back at full throttle again," said Wing Commander Nunn, commander of the RAF detachment.

The Wing Commander, who has been in charge of RAF airlifts since they started on Nov. 4, returns to Britain this week. Wing Commander Derick Kingsman, 51, from headquarters No. 1 Group, RAF Upavon, Wilts, takes over command from him tomorrow.

Wing Commander Nunn said two Hercules resumed a full operational schedule last Friday when one returned to Assab for the first time since grain stocks ran out there two weeks ago.

Biscuits and blankets

One aircraft has since been flying grain from Assab to Axum and Makale while the other has been making three flights daily to Alamata with loads of high-energy biscuits and blankets.

Flights were halved last week when grain stocks at Addis Ababa airport were cleared and there were hold-ups to alternative supplies.

The arrival of grain ships at Assab has put Soviet and East German aircraft back in the famine airlift.

Aeroflot Antonov 12 transports withdrawn from Assab when grain stocks ran out at the port have returned there with the RAF. Aircraft of Intoflot, the East German airline, are again flying grain cargoes.

A German Red Cross official who visited Assab last week said yesterday that he saw eight ships in port with cargoes of grain, wheat, flour, butter, oil,



Map of Ethiopia showing the Red Sea, Assab, and the famine relief area.

rice, vehicles and other relief supplies. Another nine ships were waiting outside the port.

An aspect worrying some donor governments is the persistent allegation that some emergency relief supplies are being diverted to Ethiopia's 250,000-strong armed forces.

The allegation has been repeatedly made by the Tigray People's Liberation Front fighting a guerrilla war against the government in North Ethiopia and are dismissed by the government as baseless lies. They are also discounted by many diplomats although some see a danger of supplies going astray when large quantities, expected next year, make monitoring difficult.

Relief workers tell stories of army garrisons sharing their rations with famine victims. At the military command at Addis Ababa, the "read between the lines" of the report is said to have provided food for nomad famine victims from the desert camping in the town.

An explanation given by relief workers for occasional reports of famine relief food to army camps is that sometimes famine victims have been fed from stocks brought by the government for the army, and these are replenished from emergency food shipments when they arrive.

Green party realists aim for co-operation

By MICHAEL FARR in Bonn

WEST GERMANY'S anti-nuclear "Greens" ended a three-day party conference in Hamburg yesterday having decided to shelve the vexed question of co-operation with the Social Democrats until nearer the 1987 general election.

The question of whether the environmental party should get involved in government or remain exclusively in opposition provoked heated debate during the conference.

The decision against co-operation for the time being, but not completely ruling out future alliances, represented something of a victory for the realists who maintained that it was too soon to decide categorically.

Fundamentalists, for example Herr Rudolf Bahro, a former member of the East German Communist party, had argued strongly against "shameful collaboration with the power system."

But the realists, represented by a number of the party's 26 Bundestag (lower house) MPs, disagreed. "We must transform protest into political action. We cannot just be a protest movement, otherwise we should never have entered parliament," said Herr Joschka Fischer.

Local decision

In the compromise agreed, a large majority of the 80 delegates voted to leave the question to local branches of the party to decide according to their particular situation.

The five-year-old party, despite the threat of a future split between realists and fundamentalists, has recently gone from strength to strength. Breaking into the Bundestag with 5.6 per cent. of the vote

in the March 1983 general election, its standing has risen to around 11 per cent., according to recent opinion polls.

During the summer it won seats for the first time in the European Parliament, and has deputies in six of 11 state parliaments.

MINER ATE BODY TO SURVIVE

A miner rescued alive yesterday from a coal mine in Taiwan where he was trapped for four days has survived by eating another miner who died after they were sealed in a deep tunnel by an explosion.

Chou Chung-1, 56, said that he starved for two days after Wednesday's blast before finding a miner's body. Fifty-one miners have been confirmed dead in the disaster at the Hsishan Yikuan mine, 16 miles southwest of Taipei.—A.P.

RESHUFFLE IN RUMANIA

President Ceausescu of Rumania has reshuffled his Communist country's Standing Bureau, a sort of inner cabinet, cutting it to eight members from 13.

The former Prime Minister, Mr. Manca Manescu, is the only newcomer, continuing a return to the inner circle of power that started in 1982.—Reuter.

14 years of terror in the air

By GERALD BARTLETT and A. J. McILROY

SKYJACKING began in earnest 14 years ago when terrorists of the Popular Front for the Liberation of Palestine attacked four planes over Western Europe.

On Sept. 6, 1970, one of the planes, a jumbo jet, was flown to Cairo, where it was blown up by time bombs after those aboard were given less than three minutes to get out.

Two other planes, one Swiss, one American, were directed to an ex-RAF airstrip in Jordan. The fourth, an El-Al plane, was seized by Leila Khaled, a fervent revolutionary, and a male accomplice, over the east coast of Britain, but they were followed by Israeli guards.

The man was killed, and the plane made an emergency landing at Heathrow, where Miss Khaled was detained.

Additional pressure Her fellow-terrorists issued a 72-hour ultimatum threatening to blow up the two planes in Jordan together with 275 hostages unless she and six Arab terrorists held by West Germany and Switzerland were freed.

After days and nights tense with fear and just before the ultimatum expired the terrorists put additional pressure on the Heath Government by seizing a British VC-10 with 114 people aboard, including 30 children, and landing it alongside the two other planes.

A Security Council meeting was called by Britain, and in the Mediterranean the United States Sixth Fleet set course for Jordan before the hostages were eventually released and Miss Khaled left Ealing police station on the first stage of a journey to Cairo and freedom.

There have since been scores of skyjackings in various parts of the world and train sieges in Holland.

Fooling a skyjacker

In January, 1975, a sky-jacked British Airways airliner was flown to Staavet to foot an Iranian skyjacker, he was landing in France. The SAS was said to have been involved in the "biggest" skyjacking operation mounted in Britain.

The skyjacker, armed with what were later established as dummy grenades and a fake bag containing £100,000 he had demanded was recovered intact.

Stavet was again the scene in March, 1982, after four sky-jacked Boeing 737s with 737 passengers' board. Pistols and grenades they carried turned out to be dummies, and the event proved a triumph for patient, unflinching police.

Lord, Whitelaw, then Mr Whitelaw, said as Home Secretary that the operation provided clear warnings to skyjackers: "You are not going to get any change out of Britain."

Entebbe raid

Probably the most memorable case of skyjacking was the seizure of an Air France Airbus carrying 257 people, including 80 Israelis, in June, 1976.

The plane was seized after take-off from Athens on a flight from Tel Aviv to Paris, and it eventually landed at Entebbe airport in Uganda, where President Amin negotiated with the skyjackers, who demanded that 53 Palestinians held in Israel and four other countries be freed.

Early in July an Israeli commando unit, flown in by the Israeli Airforce, attacked Entebbe airport by moonlight and freed more than 100 hostages from a building where they were under guard.

Twenty Ugandan soldiers and all seven skyjackers, five Palestinians and two Germans, were killed. Three hostages were also killed in the operation, which began 13 hours before a deadline set for murder of the hostages.

'250 KILLED' IN CAMBODIA CLASH

As many as 250 to 300 Vietnamese soldiers have been killed since Vietnamese forces launched an attack on a major Cambodian resistance camp on the Thai-Cambodian border on Nov. 18. Thai military sources said yesterday.

They said 130 other Vietnamese troops may have been wounded in the battle for Nonk Chin camp. They said 32 Cambodian guerrillas have been killed and 47 seriously wounded.—A.P.



A young boy, suffering from chest pains after the release of poison gas from the Union Carbide plant in Bhopal, lying on the ground in a tent as he received treatment from a volunteer doctor.

Repeated warnings of Bhopal gas danger

By BALRAM TANDON in New Delhi

THE gas leak disaster in Bhopal did not occur without repeated warnings to the Government of Madhya Pradesh and to the management of Union Carbide, owners of the plant.

The first came in 1975 from Mr M. N. Buch, commissioner of Bhopal municipal corporation.

In the light of the rapid urban sprawl in the area of the plant, he recommended its removal.

The possible threat from the factory to the growing urban population, the importance of rechecking safety factors, and shortcomings in the plant were emphasised at least twice.

The Madhya Pradesh State government set up a one-member inquiry committee in 1981. This report underlined the need for a more rigorous application of safety measures and spoke of the possibility of a major catastrophe in the event of negligence.

The committee was set up after Mohammed Ashraf, a plant worker, was killed after a gas leak and three others injured.

In May, 1982, Union Carbide's principals in the United States sent out a three-member committee to look into the working of the Bhopal plant.

That committee spoke of fears for concern on 10 different counts concerning technical matters.

1982 assurance

The issue of the possibility of gas leaks from the factory causing a major catastrophe was raised in the Madhya Pradesh State Assembly in 1982.

Answering questions on Dec. 21, the Labour Minister insisted there was absolutely no danger of a disaster.

Safety arrangements in the plant were dismissed as earlier statements that there was no danger to Bhopal.

In two articles in September and October, 1982, in a local newspaper, Rajkumar Kosiwal wrote that a possible explosion could reduce Bhopal into a city of the dead.

The articles aroused fresh questions in the State Legislative Assembly. The Labour Minister repeated his earlier statement that there was no danger to Bhopal.

Kosiwal carried his campaign to the national Hindi press and in June this year published an exhaustive warning on gas plant in the mass circulation Hindi newspaper JANSATY.

In an article in the INDIAN EXPRESS newspaper yesterday, Mr Kosiwal said that his warning, as well as those of the committees which had gone into the danger from a gas plant so near an urban centre, were ignored.

CARRIER PROTEST

More than 12,000 people attended a self-sponsored rally and marched around the Yokosuka American Naval base south of Tokyo yesterday to protest against a visit of the nuclear-powered aircraft carrier Carl Vinson due there today for two days of rest and recreation.—A.P.

U.S. in crisis talks with Sri Lanka

By DAVID GRAVES in Colombo

GEN. Vernon Walters, President Reagan's roving ambassador at large, flew to Colombo yesterday after an urgent appeal for talks by the Sri Lankan government to discuss the worsening security situation in the north of the island.

Observers said it was expected that President Jayewardene would appeal for American arms aid when the two men meet today and that the request would be seriously considered by Washington.

Security forces are continuing one of their highest ever operations against the rebel Tamil separatists in the troubled Northern Province. Officials in Colombo said that intelligence warnings had been read that the rebels planned another attack possibly against an army camp or police station.

The government in Colombo has looked increasingly to the United States for assistance.

Many of the tens of thousands who have been treated in hospitals and released will almost certainly develop serious problems in the months and years ahead.

"The eyes and lungs of a considerable percentage of the population will be greatly impaired," the New York Times reported, quoting medical experts.

Sooner or later many victims are expected to succumb to suffocating onslaughts of emphysema, asthma, bronchitis or such diseases as pneumonia.

At the National Institute for Occupational Health and Safety, Dr Trent Lewis, chief of the experimental toxicology branch, said he believed long-term problems would haunt the survivors because of the destruction of cells in the lungs and other parts of the respiratory system.

Dr Yves Alarie of the University of Pittsburgh School of Public Health, said the most immediate damage was probably the destruction of the cells of the cornea, the transparent covering of the eye. This could produce permanent blindness.

As a rough estimate, American specialists said that 5 to 10 per cent. of those who sought medical treatment in Bhopal would suffer serious long-term consequences.

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Israel threatens unilateral pull-out in the Lebanon

By MAIER ASHER in Jerusalem

ISRAEL yesterday told Mr Richard Murphy, American Under-Secretary of State, that if no progress is made in her talks with Lebanon on the Israeli troop withdrawal from that country, Israel will make its own arrangements for a pull-out within 14 days.

Lebanese or Syrian interests would not be considered.

Neither would a date be set for a final withdrawal from the eastern sector of Lebanon.

The information was passed to Mr Murphy during his meeting yesterday with Mr Peres, the Prime Minister, and Mr Rahin, Defence Minister, at which, according to sources close to the government, Israel expressed impatience at the deadlock in the withdrawal talks, being held at the headquarters of the United Nations Unifil force at Nakoura.

According to the Israeli sources, Mr Murphy was briefed on the two main causes for lack of progress on the Israeli withdrawal.

Two main causes These were the inability of the Lebanese Army to open the coastal road south of Beirut and advance to the Israeli military positions on the Awali river; and the inability of Syria, the dominant power in Lebanon, to push an end to the trial fighting between the Lebanese Army and the Druse militia, which was preventing the army's deployment in the south.

Israel's lack of confidence in the Lebanese Army which is the main topic of Mr Murphy's

talks, is closely related to the Israeli proposals to deploy UN troops in the south instead of Lebanese groups, as proposed by Beirut.

Israel repeated its intention to make a unilateral partial withdrawal from southern Lebanon if the deadlock continues. According to Israeli sources there has been no indication on the part of Syria over coming to an agreement on an arrangement with Lebanon which would also be acceptable to Israel.

The next round of talks at Nakoura are planned for today.

SHARON REBUKE Month's U.S. absence

OUR JERUSALEM CORRESPONDENT writes: The prolonged stay in New York of Mr Sharon, Israeli Trade Minister, who has absented himself from Cabinet meetings for nearly a month because of his \$30 million libel suit against Time magazine, became yesterday the subject of sharp criticism in the Cabinet and in Parliamentary circles.

Mr Sharon was given two weeks' leave to testify at the trial dealing with reports in Time magazine about his responsibility for the massacres in the Beirut Palestinian refugee camp in 1982. He has now been absent a month and has indicated that his stay in the United States may be further extended.

Rebels unsubdued in Pacific colony

By IAN WARD in Singapore

HEAVILY armed police last night patrolled roads in New Caledonia following renewed pledges by rebel Melanesians to drive French colonialists from the South Pacific island.

Despite this show of strength and promises by the authorities, last week to restore law and order, the coastal township of Mou remained under rebel control.

On Saturday Melanesian militants hurled 31 comrades killed when ambushed on Thursday by a posse of white settlers. Four rebels wounded in the ambush were still in "critical" condition.

French police, ringed the tribal village of Tiendamille as the funeral rites were intoned. "We'll never give up the struggle," said a leading militant, Mr Yewere Yewere, bitterly as the coffins were lowered.

M. Jean-Marie Tijbaou, the chief rebel leader, whose two brothers were among the 10 buried, did not attend the service. He had been warned to stay away.

Embarrassing boycott New Caledonia's Melanesian or Kanak population has rallied to the call of the Kanak Socialist National Liberation Front, which is demanding independence from France.

The party's boycott of the Nov. 18 elections resulted to a 50 per cent. of the eligible voters in New Caledonia.

The anti-independence Republican party won by a landslide, but the boycott was highly embarrassing to the authorities in Paris.

This, combined with an island-wide policy of post-election violence by the Kanaks, has forced Paris to review its plans for settling the self-determination issue.

Originally it had been planned to hold a referendum in 1989. But the Liberation Front maintains that as Melanesians are a 45 per cent. minority in their own land, they have no chance of winning their cause by voting.

PRISONERS FREED President Nyerere of Tanzania pardoned 1,018 prisoners yesterday in an amnesty marking the country's 25th anniversary of independence, the government announced in Dar es Salaam.—A.P.

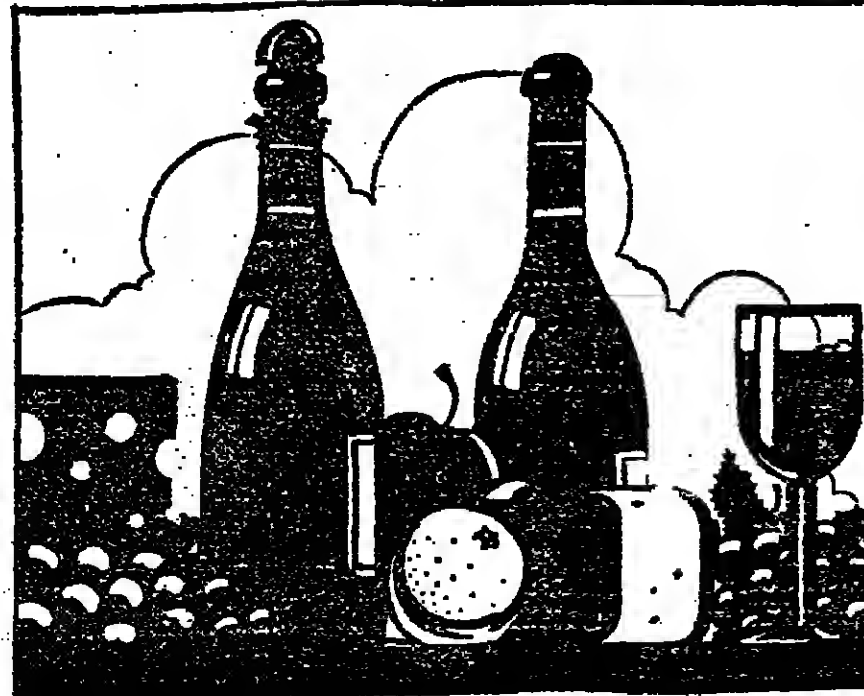
MARTIAL LAW PROTEST IN BANGLADESH

By Our Dacca Correspondent At least 40 people were seriously injured in Bangladesh when armed police attacked demonstrators at the weekend during an anti-government hartal (general close-down). Leading Opposition parties were demanding withdrawal of the country's 33-month-old martial law and formation of a neutral Government to hold Parliamentary elections.

In speeches at public meetings Mrs Khaleda Zia, chief of the Bangladesh Nationalist party, Mrs Hasina Wajed, leader of the Awami League, and Mr Abbas Ali Khan, chief of the Islamic fundamentalists (Jammah-e-Islami), urged people to take part in a non-cooperation movement against the Army regime.

CHERNENKO AS A FILM HERO

By NIGEL WADE in Moscow A film glorifying the exploits of President Chernenko in clashes with "handis" as a young border guard in Kazakhstan 50 years ago, has been produced in Moscow according to Soviet Press accounts. His exploits — as a daring rider and a crack shot — have been applauded several times already in print since he came to power last February.



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سكاي كلاص

EURO MPs TO FACE BUDGET CHALLENGE

By ALAN OSBORN Common Market Correspondent

THE WILLINGNESS of the European Parliament to risk a confrontation with Common Market member governments over the level of EEC spending next year by rejecting the 1985 budget will be put to the test in Strasbourg on Thursday.

As is traditional, the Euro-MPs want to spend more than the governments. The difference in figures is not large this year, but the Parliament has other grievances over the budget procedure, and its dissatisfaction could tilt the balance in favour of rejection in Thursday's vote.

The EEC Commission's original 1985 budget provided for the spending of £16 billion by the community.

Budget Ministers of the 10 governments cut this back to £14.7 billion and the Parliament, at its first reading, restored £1.8 billion to the figure. Last month the ministers agreed to provide an extra £1 billion or so for the Common Agricultural Policy in 1985 but said this was conditional on new income being raised during the year.

There is no guarantee of this happening, however, since West Germany is refusing to implement the agreed increase in income until Spain and Portugal join the community, which will not be until the beginning of 1986 at the earliest.

Refunds clash

A potentially more serious dispute is looming over the treatment of some £864 million in agreed budget refunds for Britain and West Germany. The member governments want these sums (£860 million net for Britain) deducted from the two countries' contributions to the budget.

The Parliament, however, is insisting that the cash should be returned to London and Bonn via extra handouts on EEC projects, as in the past. This would increase the size of the budget and give Euro MPs powers over the allocation of the money.

Adding to the Parliament's unhappiness is the introduction—finally agreed at last week's

Britain will oversee internal trade

By OUR COMMON MARKET CORRESPONDENT

A SHARE-OUT of the jobs among the 14 new Common Market Commissioners taking office in the New Year was completed amicably over the weekend, with Britain securing her objective of responsibility for the internal market.

EEC AID FOR THIRD WORLD

By Our Common Market Correspondent

A NEW trade and aid pact signed by the Common Market and 66 of the world's poorer countries in the Togo capital of Lomé over the weekend will mark the start of a new era in the EEC's policies towards the Third World.

The five-year agreement, known as the third Lomé Convention, provides for the transfer of some £4.5 billion from the Community to the African, Caribbean and Pacific countries and also breaks fresh ground in the provision of export opportunities for developing countries in EEC markets.

The final deal hammered out in Brussels last month largely reflects the British view, argued by Mr Timothy Raison, the Overseas Development Minister, that poorer countries are better served by help to develop their own food and export industries than by the transfer of cash aid.

France and other EEC members with Mediterranean interests, fearing threats to their farmers from increased Third World exports, argued against this and in favour of higher grants.

Emergency programme
Meanwhile, British officials have rejected charges that last week's decision at the EEC summit in Dublin to double food aid to Africa was hypocritical because most of the aid would merely be switched from other needy parts of the world.

EEC government leaders agreed to provide 1.2 million tonnes for Africa but did not specify where it should come from.

EEC officials have said that the money and aid is having to be switched from other food programmes.

But British officials pointed out yesterday that while it was natural that part of the aid would come from the existing emergency food aid programme provided for under the present Lomé Convention, the rest of it would be financed somehow.

POLES JUMP SHIP

By Our Staff Correspondent in Bonn

Another 53 Poles have jumped the ferry Rogalin, 7,500 tons, during its latest twice weekly stop at the West German Baltic port of Lübeck. Travellers, border authorities in Lüneburg reported yesterday. More than 850 Poles have jumped ship in West Germany so far this year.

Milk quota 'offenders' must now pay up

By GODFREY BROWN Agriculture Correspondent

THE crunch over whether Common Market countries really are serious about bringing the extravagant dairy surpluses under control is looming rapidly.

Payment of the first instalment of the peal super-levy on excess output is due to be made to the Brussels commission this week by countries that are over their quota limit on milk production.

Mr Jopling, British Agriculture Minister, will be demanding a progress report on how the other countries are responding to production limits at a two-day meeting of Farm Ministers which opens in Brussels today.

He has said that Britain will not hand over any milk levy money in Brussels unless the system is being equitably applied throughout the EEC.

But the force of his argument is rather diminished by the fact that Britain's dairy farmers—at least those on the mainland—have cut production so much, partly as a result of the long summer drought, that no payment is due.

Ulster over quota

Mr Allen Price, the head of BOCM Silcock, said last week that by not producing up to their quota limit, the 28,000 dairy farmers in England and Wales were voluntarily giving up nearly £44 million in milk income, an average of £1,120 per producer.

But in Northern Ireland, output has been running above the quota limit and some of the 8,500 dairy farmers may be liable to the super-levy.

Mr Jopling could well refuse



Mr Michael Jopling: demanding progress report.

maintaining that France is within its quota limit and that no super-levy payment is due. But Britain will not be alone in wanting to know how the figures were arrived at.

The Agriculture Commissioner, Mr Paul Janssager, has been authorised to open infringement proceedings if necessary against Ireland, Denmark and France as well as Italy.

But the commission itself is now something of a lame duck, its four-year term finishing at the end of the year and a new commission takes over from Jan 1. Whether the old commission will want to go out quietly or on a strong note remains to be seen.

FERRIES' FARES CUT BY 12pc

Brittany Ferries today announced cuts in passenger and car fares on Portsmouth-St Malo and Plymouth-Roscoff routes next summer, with reductions of up to 12 per cent on last summer.

"It means savings of up to £20 return for a family of two adults, two children and a car," said Brittany. It will boost passenger capacity on the Plymouth route by 70 per cent, in the spring by adding the 1,200-passenger ferry Iregasil to the fleet.

CANADIAN CRUISE TESTS AGREED

By Our Washington Staff
The first test firing of an air-launched cruise missile outside the United States will take place over Canadian territory early next year.

Washington and Ottawa have reached an agreement under which two tests of the cruise will be carried out in severe weather conditions over north western Canada.

French claim

A major question mark surrounds the position of France which was also the subject of inquiries by the commission. Apparently M. Rocard, the French Farm Minister, is now

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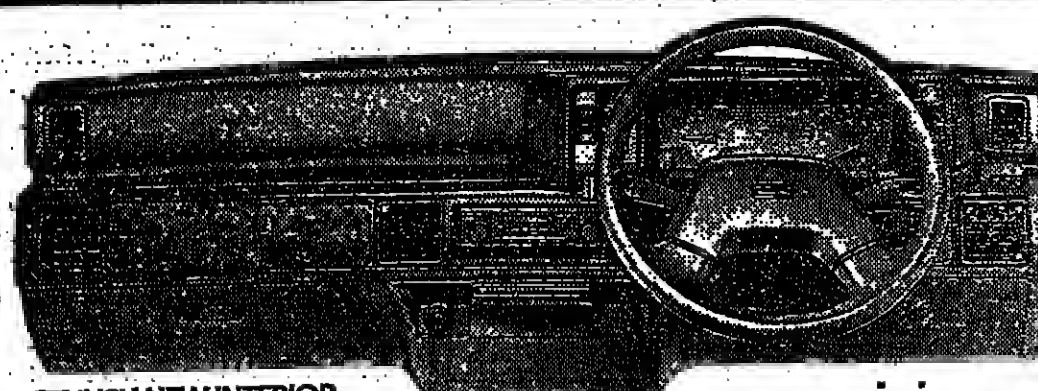


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wizardry has been at work. Ventilated front disc brakes add to Metro's stopping power. To make sure you stop even less often for petrol, Metro's legendary fuel consumption

is improved upon even further. The new 1.0 HLE, for example, beats every other car in Britain on petrol economy with a spectacular 67.6 mpg at 56 mph.

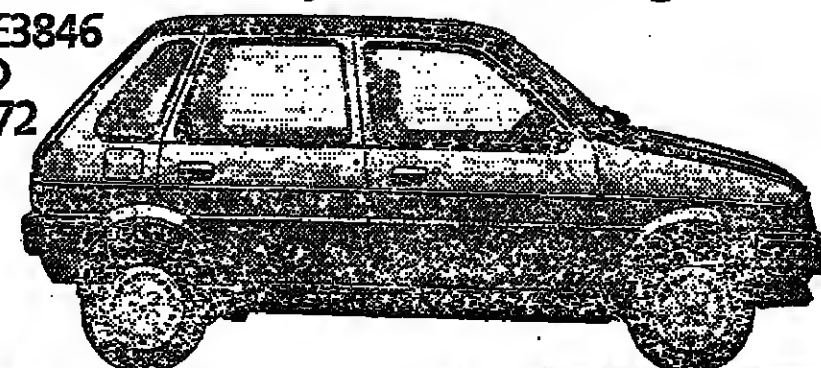
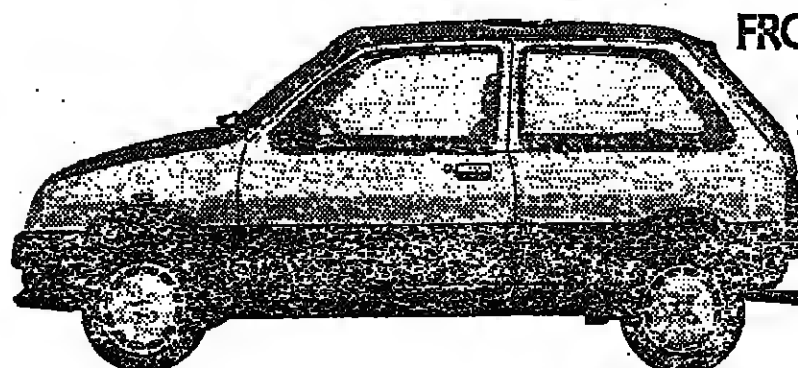
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SCIENCE: ADRIAN BERRY on turning a foxhunt into a wild goose chase

Putting saboteurs off the scent

THE SCENE is becoming ominously familiar in the countryside. The hunt meets, its leaders resplendent in their pink coats, followed by troops of enthusiasts, some on horseback, some on foot. Then there is a sudden interruption. Cudgels are brandished, and obscenities and threats are harshly uttered. The anti-hunt saboteurs have arrived.

Some elements of the anti-hunt movement have gone far down the road in recent years. Protesters used to be respectable people with banners who would not more than politely explain their case and, indeed, many still do this. But today there is at least one group who are likely to arrive masked and carrying circular saws, sledgehammers, crowbars and axes. "We will pull the hunt leaders off their horses and remove their red coats," they threaten. "We will tie them to a tree and paint them red. We want to humiliate them."

What can be done about this menace? "Why can't you science people invent some new weapon to fight off these horrible saboteurs?" a hunt supporter once asked me in anger and near despair. I have brooded about what



An extremist group of hunt saboteurs.

may be called the Huntsman's Problem, and I have come up with an answer which provides at least partial security against the attentions of saboteurs. It is not foolproof, but it should be enough to deter a saboteur group from attacking one's own hunt and send them off to the adjoining district.

The solution lies, not in weaponry, as my hunting friend imagined, but in deception.

To the question, "Why do

HERE are some science books which would make good Christmas presents:

Entering Space: An Astronaut's Odyssey, by Joseph Allen and Russell Martin (Orbis, £15). One of the best going into space is that you get the best view in the world. Magnificent colour pictures taken from a shuttle flight in which Allen participated.

David Baker's "Conquest: A History of Space Achievements from Science Fiction to the Shuttle" (Windward £9.95) is a brief but excellent account of the movement into space.

Patrick Moore has updated his 1970 "Atlas of the

Universe" with a wholly revised edition (Mitchell Beazley, £19.95 until Jan. 31, but £24.95 thereafter).

Did you know there were not four dimensions, but 11? Paul Davies' "Superforce: The Search for a Grand Unified Theory" (Heinemann, £12.95) explains why. He also suggests that the universe was designed by an intelligent entity, perhaps God.

Christine Sutton, in "The Particle Connection: The Discovery of the Missing Link in Nuclear Physics" (Hutchinson, £9.95) tells of the earth around of this subject.

Lucid and clear, despite the occasional use of formulae.

AT HOME WITH COMPUTERS

IBM—programmed for trouble

"NO ONE ever got fired for choosing IBM." So runs the conventional wisdom of the data-processing manager. And in the world of mainstream computers, IBM has been chosen to dominate the market.

But does the old adage still hold true now that the average price of a business computer system has plunged to around the £4,000 mark? The City centre seems to think so. After all, IBM already has 55 per cent of the North American business microcomputer market and has made rapid strides here also. Two years ago IBM UK had no network of dealers; today 350 retailers sell its personal computer range and that is in addition to its own small army of salesmen.

As for the manufacturers who grew fat selling IBM look-alike personal computers, it is a rare sight to see them in the streets of one of the American clone-makers going bankrupt. So is the British personal computer market about to succumb to a complete IBM takeover?

Despite the superficial attraction of the IBM name, there are good reasons for dismissing it. Firstly, IBM is not the omnipotent monolith popularly depicted. By the standards of multinational corporations it is a relatively small company, and it remains a mangle of competing divisions selling a jumble of overlapping systems, between

which it has been unable to establish compatibility. IBM manufactures more than 184 different keyboards alone.

Many on the retail side argue that such success as IBM has enjoyed has been due to the sheer resources brought to bear rather than the fitness of its strategy. Indeed, the marketing of the personal computer has been characterised by a series of bungles that have even led to the sacking of senior personnel—an almost unheard-of penalty in a company where incompetence is usually rewarded with a transfer to pencil-sharpening duties in Arupit, New Jersey.

The mistake was to introduce the personal computer late, so late that rival systems were able to establish a market position of such strength that IBM has since been unable to dislodge them. Then, when sales failed to reach anticipated levels by last summer, prices were cut. This masterstroke was promptly followed by an announcement that, due to component shortages, deliveries would be curtailed.

Similar misjudgments prevailed in America where the launch of the company's PCjr home computer turned in the words of Business Week into a "well-publicised lack of features and an uncomfortable keyboard." The PCjr has not been released in Europe.

IBM's latest micro offering, the PC model AT, had a better reception. Its specifications, promising (eventually) both ruggedness and multitasking facilities, are impressive as the future of the company's successful XT model. A recurrence of chip procurement problems has duly ensured that the new is effectively unavailable, and likely to remain so for some time, to come.

One way of ensuring adequate supplies of the microprocessors required would be for IBM to buy their manufacturer, Intel. This they would undoubtedly like to do, indeed IBM already owns some 20 per cent of the chip fabricator. Whether or not the United States Government would permit a take-over is another matter.

To increase its market share in Britain, IBM is largely dependent on its dealer network. Three years ago, dealer sales constituted just one per cent of turnover; this year the company anticipates that they will contribute 10 per cent. In short, IBM cannot afford to upset its dealers. Yet upon some of the most valuable of its dealers, account of product shortages and increasing competition from IBM's own direct sales force. The last month has seen a number of the largest dealers

being similarly baffled? No, because they will have circulated among themselves a Secret List, giving to each of the best dozen places where the hunt might be meeting a code number that can safely be advertised to preserve security. Why not disguise the information, render it opaque, so that only members of the hunt and its followers will be able to understand it?

How to publish information that is intelligible to one group of people but not to another is a problem that lies at the root of cryptography, the art of secret writing, through which governments have fallen and wars have been lost. It should not be too difficult to devise a simple code with which hunting people can similarly protect their interests.

An announcement which I picked at random from the latest Horse and Hound said that a certain Cotswold Hunt was to meet on Dec. 1 at a place called Frognall Inn. This seems to me lamentably candid. Why not say instead that the hunt would meet at Location 25?

"Location 25?" The saboteurs would exclaim in bewilderment. "What on earth does it mean? Where do we go for our hunt? This is unfair!"

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How to publish information that is intelligible to one group of people but not to another is a problem that lies at the root of cryptography, the art of secret writing, through which governments have fallen and wars have been lost. It should not be too difficult to devise a simple code with which hunting people can similarly protect their interests.

An announcement which I picked at random from the latest Horse and Hound said that a certain Cotswold Hunt was to meet on Dec. 1 at a place called Frognall Inn. This seems to me lamentably candid. Why not say instead that the hunt would meet at Location 25?

"Location 25?" The saboteurs would exclaim in bewilderment. "What on earth does it mean? Where do we go for our hunt? This is unfair!"

But will not the hunt sup-

porters be similarly baffled? No, because they will have circulated among themselves a Secret List, giving to each of the best dozen places where the hunt might be meeting a code number that can safely be advertised to preserve security. Why not disguise the information, render it opaque, so that only members of the hunt and its followers will be able to understand it?

NOTEBOOK

I MUST confess that when recently thumbing through the pages of the SPECTATOR—a magazine which is read by 16-year-old merchant bankers and Conservative bishops, that I was shocked to see an advertisement, a note to the effect that the magazine, in conjunction with Highland Park Malt Whisky, had instituted a series of fawards for Members of Parliament.

Are not comparisons invidious? Not only were there to be fawards, but also, ranging from "The Member to Watch" to the "Parliamentarian of the Year" by way of chief troublemaker, but the announcements were to be made public at a lunch at the Savoy.

Now, contrary to popular belief, all that an MP really wants is a quiet life. We have no wish to appear on breakfast television. After the rigours of fighting an election, three weeks in close proximity, during which we are paraded through the streets standing sheepishly in the back of a Land-Rover, herbioned like a bullock and waving nervously to bewildered housewives, all we seek is tranquility. It is no joke to be threatened by the award of "Troublemaker of the Year."

They can do so, of course, but only by going to considerable trouble. The hunt leaders can make life difficult for spies and moles by handing out copies of the list to those followers whom they know by sight. The upshot may well be that the saboteurs decide that espionage is too much like hard work, and go elsewhere.

This scheme will involve some extra paper work, but if it averts violent confrontations it should be worth trying. The present system of freely-circulating sensitive information is asking for trouble.

JULIAN ALLASON

As usual, Old Boy

SOMEONE, somewhere, must have done it before. So perhaps it's not all that remarkable, going back to your old school after 50 years during which you have never seen it or even been within 50 miles of the town.

But as the train sped so smoothly north it seemed decidedly odd, I blame my wife for not being there. I had insisted on seeing for myself this very old and nearly lost piece of my personal jigsaw.

As we left the station I could not even remember which way we turned to reach the town. Nothing looked familiar.

My fears began to grow even bigger. All alone I had dreaded that my memories of the old school, founded c. 1500 and one of the most marvellous grammar schools in the country, would be shattered by the wrong-headed Shirley Williams did her best to wreck, would not have survived without terrible chance.

The old stone buildings appeared. What would we see? In the dirt lanes with pink, staid hair, wearing CND badges and smoking joints against the walls? But what was this? OTC uniforms everywhere. I realised that I had come back to the vibrant, attractive little town of Grantham. Little had changed. But will it last another 50 years? An old boy, though a young one, told us "We had a new head, last year, a great chap. Full of ideas. He's already got a few carpets down on some of the school floors!" The train back to London left reluctantly.

RONALD HASTINGS

I give you—a troublemaker

Year, a distiction which is bound to lead to letters in the local newspaper. You can imagine my concern when, out of the blue, I received an invitation from Mr Charles Moore, the editor of the SPECTATOR, to take lunch. It might have ended in tears.

MPs wish to retire into decent obscurity, visit the constituency, it is true, but at yearly intervals. I will certainly not go as far as one elderly knight of the Shire of my acquaintance who, when asked what it was he liked about the Palace of Westminster, said that he could sleep there as well as anywhere else in London. It would have been difficult indeed to do so in recent years, but I am sure that something to be said for what is called "keeping a low profile."

In the event I had nothing to worry about. The lunch, which was expiated by any number of appropriate Scotch, was excellent; the Scotch was in lettuce in Lancashire sauce; the fish, in oyster, and a curious pud

There were few surprises, as it happened. Mr Tam Dalyell,

called Crannachan in which multi-coloured cream gave way eventually to a head of very Scottish oats. Every guest, and there were many of us, was given a small bottle of elixir in a cloth bag which we were told by our host, we could use to keep our pound coins. That I should live so long.

The company, which consisted of MPs and the better sort of journalist, some of whom had been persuaded to act as judges, was addressed by Mr Ludovic Kennedy, Scotland's Ambassador to the Court of St James, and entertained hugely by Lord Grimond. I spotted Mrs Edwina Currie, wearing handkerchiefs, and the Hon. Alan Clark, who had abandoned the Department of Employment and the House of Commons for his old haunts. Sir Keith Joseph was there, looking, it must be said, a little worn. The five prize-winners, worrying the speakers, were tucked away anonymously among the guests.

There were few surprises, as it happened. Mr Tam Dalyell,

the "Troublemaker of the Year" did not turn up. I am keeping his whisky for him. Mr Nicholas Budge, him, "Backbencher of the Year," called for a return to Cabinet government and Mr Malcolm Rifkind, yet another Scot, complained of never being at home.

Mr Budge was a splendid choice. A former Tory whip, who relinquished that office as he felt that he was not cut out to be a politician, he has spent the last year or so dabbling in the world of publishing and the world of the theatre. Dr John Cunningham, who has led Labour over the Bill to abolish the GLC and the Metropolitan counties, was made the "Debater of the Year." He has certainly done to Patrick Jenkin what Mr Denis Healey does to Sir Geoffrey Howe.

The garland of "Parliamentarian of the Year" went to Dr David Owen, and deservedly so. I hope that were he to win it next year, he would avoid the water touch. After lunch at the Savoy is no place to worry about the prospects of government and constitutional crisis. But it was all great fun. The politicians travelled back to the House in taxis paid for by the donors of the Press; the donors, clutching cut-glass decanters and bottles of Malt, the vanquished, secretly relieved and eager to return to a quiet life and a copy of the SPECTATOR.

DENIS MORRIS

WINE

Good deals for Christmas

ACCORDING to G. K. Chesterton, Noah remarked as he sat down to dine, "I don't care where the water goes if it doesn't get into the wine." One appreciates his concern about the brackish flood water swilling around.

On the other hand it might be very rewarding in Christmas dinners if they drank more water, preferably bottled spring water free of the all-pervading taste of chlorine to which we in west Sussex are at present subjected.

Most of those who can tend to over-indulge at Christmas and subsequently suffer from an unwholesome hangover and raging thirst. This can be alleviated by drinking a tumbler or two of water during Christmas dinner—we normally drink Perrier because it is both sparkling and neutral. There are cheaper ones.

We follow this with a further glass or two later in the day and a tumbler with a couple of Alka Seltzers at bedtime. This combination seems largely to eliminate the acidity and thirstiness that otherwise builds up.

On the alcohol-positive side I find that the better the wine, the less the discomfort. Cheap wines or champagne drunk in quantity and especially on an empty stomach can be very discomforting. Moderation is the slogan here—a little wine, Timothy, for thy stomach's sake.

Having just received a call from the vicar, a happy, rotund, wine-drinking man, I told him of what I have just written and dubbed myself a "Jehovah's Witness" in the wine world. "Not a bit of it, Denis," he replied. "Considering what hardship he endured, Jeremiah was relatively optimistic—merely put people to the sword of the danger of things."

Inexperienced wine shoppers could be much helped by the SUNDAY TELEGRAPH'S (£2.95) Wine Guide '85, featuring the

best wines under £5 and which to find them. There are omissions, of course, but there is a lot of helpful guidance. Which? Wine 1985 is as valuable as ever and recommends scores of wines and merchants, while a newcomer, Webster's, is also comprehensive and valuable.

Sparklers well worth trying if the price suits include Lister's sparkling white available at Sparrows Supermarkets, Yorks, and Chaplins, Worthing (£3.30-£5.00). Tesco's Sauvignon, non-vintage Brut (dry) (£3.69), the popular Veuve du Vernay (£3.49 Victoria Wine and others), and Christopher's Blanquette de Juvigny NV (£5.49). Peter Dainoff's blanc de blanc champagne is a very attractive price of £6.49. I found it pleasant, dry, delicate and very good value as is Sainsbury's extra dry champagne and their rose at about the same price.

The Grandes Marques champagnes are much more expensive but the centuries of experience behind their making, the exclusive classic grapes used, their huge stocks of reserve wines kept as a compensation for deficiencies in indifferent vintages like the recent one, show bubbles and the delicacy of the wines' bouquet.

Of the still wines drunk as an aperitif, those of Germany and Yugoslavia are probably the best buys for the some-what sweet toothed and dry French Chablis from about £3.25 upwards to £5.50 and more best value in dry, Swiss, red in a wine hides many a fault so when buying dry wines where any sourness would show through it is best to up-grade slightly.

A 1982 Sauvignon de St Bris from the shippers George Vert, started by Webster's guide and sold by Bow Wine, London, is very enjoyable. (£3.25-£4.00).

Those prepared to experiment with an unusual aperitif or table wine from Alsace,

Dry white Graves from Bordeaux makes an excellent pre-meal drink, get buyers are slow to seek it out; perhaps they remember the dreadful sweet protest wines of Fuisse Dux Mors of the good old days. They are now mostly made dry and well. This reluctance explains the relatively modest prices of many dry Graves of renowned quality. Well worth a try. Per contra the popularity of Sauternes, Pockly Fume and Pockly Fuisse in the States has pushed their prices to unreasonable heights.

Despite their appalling value for money in many pubs and restaurants (hundreds of percent profit), one cannot not without mentioning sherry. Fino (medium) or cream (sweet) are the staple diets though many enjoy the slightly salty taste of a Manzanilla. The more you pay the pleasanter the taste, the more entrancing the bouquet. The drink, the more it is like to take copiously of anti-dehydration liquid. Water!

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BROCADE IS BREAKING OUT ALL OVER...



● ABOVE: Satin smoking jacket in burgundy by Sue Clowes £85, also in green, sizes 10 to 14; brocade waistcoat £18-95; matching long-length skirt £21-95; white shirt with padded shoulders £21, all by Savoir Faire; diamanté earrings and pin, floral tie £7-95, all from Way-In, Harrods, Knightsbridge, London SW1. Pictures by KENNETH MASON.

● RIGHT: chintz waistcoat with huge flower pattern £19-99 from Fenwick, of Bond Street, London W1 and Fenwick's of Kingston, white cotton blouse with lace collar £14-95 from Fenwick, brocade trousers £21-99 in assorted patterns from all main branches of Miss Selfridge, all by Savoir Faire in sizes 10-14; heart earrings and matching bracelet by Link Up from Harvey Nichols, London, SW1.



● FAR RIGHT: long grey satin shirt with a flower print, also in green, one size only £16, by Simone Louise, pink tapestry waistcoat £55, one size only by Miss Uniq, yellow brocade jodhpurs £45, by Two Guys for Colombine-Instant White, all from Hyper, Kensington High Street, London, W8. Jewellery from a selection by Link Up from Harvey Nichols.



By ANN CHUBB

ORNAMENTATION is the name of the game when it comes to young, fun party clothes for Christmas. After seasons of austere black and grey outfits, the young are running riot with print, pattern and pretty colours which they layer with something of an Oriental air. Brocade is the big new fabric story and the more it looks as though it has come straight off the back of a three-piece suite the better. Lively new label Savoir Faire has a whole range of trousers in rose-sprigged brocade that are selling like wildfire to shops like Miss Selfridge and Fenwick. And after such success with one furnishing fabric, it is now turning to another, using old-fashioned furnishing chintz with a huge flower pattern for both waistcoats and ties. It is the evening version of the mannish look, but much softer and prettier. It is all a gift for the impoverished young set, maybe struggling to dress on a student's grant, for most of the ingredients for this look can be picked up at jumble sales and in secondhand shops. So can the popular cover-up for this look: a man's dressing-gown or smoking jacket in a lush fabric like printed satin. Essential extras are some glitzy jewellery in glass or pearl or diamanté, or possibly a mix of all three.

WORKING-OUT A WARDROBE FOR A COMFORTABLE LIFE



Picture by ANTHONY MARSHALL

THE chicest girl at the aerobics/dance work-out class next spring will be the one wearing sports gear bearing the prestigious Missoni label. That certain style and clever colour combinations could come only from original designers such as the Missonis, whose regular sweaters are works of art and sell for hundreds of pounds at Brown's and Harrods. Instead, the firm's new sports range has a much more general appeal. It will be on sale at shops right around the country (the first time Missoni has been available outside London) and most prices are under £100. These are the clothes designed primarily for the active life: trackuits, T-shirts, shorts, even tenniswear, and for both men and women. Many, in fact, are unisex garments and will please those who like to wear Missoni right around the clock. But for those of us who cannot normally afford the prices (and are not necessarily active types), these are the sort of clothes that one can enjoy wearing to relax in, either at home or on holiday. The range is being manufactured by Maureen Black, one of Italy's oldest and best-known sock and hosiery manufacturers and an old friend of the Missoni family. The quality of the cotton/ acrylic knits is fabulous and they come very close in looks at times to that lovely striped rayon that the Missonis use for their summer tops. The most expensive item in the range is not knitted at all, but a patchwork jacket in various, typically unusual colour combinations. Basically designed for men, it is a jacket that a couple might well buy to share. Tai-Missoni, incidentally, was himself an Olympic runner and designed the trackuits for the Italian Olympic team when it came to London in 1948, long before he became involved in knitwear. It was in London, after the Olympics, that he first met his wife Rosita and thus the famous knitwear partnership evolved.



TOP BOSS IN CASHMERE

IT IS ironic enough that Maureen Black is the first female director in an area of the British textile industry which has been a favourite with women for decades—cashmere—and more so that her firm is one which has established its reputation largely with menswear, though she aims to change that fast. Her softly-spoken approach belies a toughness and ambition that has taken her from a junior school-leaver's job in the traditional Scottish knitwear industry to spending half her year abroad as sales and marketing director of McGeorge, one of the best-known Scottish firms with stockists world-wide. The firm is, like many of the other big Scottish knit names, including Pringle, Gallantyne and Barrie, under the umbrella of the Dawson Group. They are all effectively in competition with each other and yet all have their own marketing areas and strategies, the differences between which Maureen knows better than most because she has worked her way round them. "I was offered a job directly from school with Braemar, regarded in the area as a very good start," she said. "Although women haven't really made it to the top positions, the firm was very progressive at lower levels and gave me a good training course. Nautically on the technical side in the sampling department, and then promoted me quickly to being the merchandising manager's assistant." She moved up to assist the advertising manager of Pringle, whose department later controlled advertising for the whole group, but found herself redundant in the mid-Seventies recession. With her usual determination she started doing freelance advertising but soon returned to the fold when Barrie—mainly involved in fine plain-knit lambswool and cashmere—asked her to join them, and over nine years she built up the foreign export side, finishing as sales manager and travelling worldwide. When the McGeorge directorship fell vacant at the end of last year she applied, without much hope. "Although the group thinks progressively, I didn't think they'd take action at such a high level but I was lucky," she said. With her women's-wear background she came into a company where ladies' knits represented only 30 per cent. of production but she is aiming towards equal shares. The cashmere market is increasing, in a worldwide re-appreciation of classic quality, but there are wide regional differences. "The British are still afraid of the price," said Maureen. "So sales here are mainly the traditional styles. The Europeans are far more adventurous, the Americans love bright colours, and the Japanese are becoming important. I have to relay all these market trends to our designer so she can take account of them all." New ideas are tried, such as a longer, all-mesh cashmere skirt and hand-made "specials" that can retail at up to £1,400. Maureen's main aim at present is to get more high-fashion styles and shapes into the range. "The little cashmere cardigan is still a mainstay, but there is much scope for younger ideas," she said. Her influence is evident in the spring range for next year, with chunky ribs, cables and other textures, wide-cut shapes and clean colours to team predominantly with white for a fresh, sporty look. Likewise in cashmere, destined for success, is a wonderful, long-line, shawl-collared Dr. Higgins cardigan though it, like the traditional and beautiful jacquard cashmères, will sell for around £200. Maureen Black is pictured (by Michael Pattison) wearing one of the £200 jacquard cashmères from McGeorge's spring '85 range. This is in cornflower blue, white and shell pink.

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FASHION NOTEBOOK
AS I never suffered from acne as a teenager, a sudden outbreak of angry little red spots down the centre of my face was somewhat alarming. A beauty expert diagnosed acne roses, not the teenage sort, at all but really a severe inflammation that often occurs with sensitive skin. She prescribed the use of soothing products of the sort that the French describe as "coupe rose," so I was especially interested to test Ultima II's new Advanced Formula range of skin products specially formulated for sensitive skin. After just 24 hours of using the products my skin really did feel soothed. It is the first time that Revlon has launched a major skin care range in this country. The range includes a cleansing scrub, cleansing lotion, balancing lotion, moisture lotion, and moisture cream. All are hypo-allergenic and completely fragrance free. It is also launching a mascara that should be especially welcomed by contact lens wearers. Flakproof, waterproof and free of all irritants such as mercurial preservatives. It can be easily removed with water. All these products will be available from early January.

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COPING WITH TERROR

WHEN THE KUWAITI authorities sentenced a group of Shi'ite terrorists guilty of the murder of Western diplomats to imprisonment instead of execution, they signed the death warrants of innocent passengers, Kuwaiti as well as Western. One lesson which has emerged from the horror that followed the hijacking of the Kuwaiti Airbus is that a "martyred" terrorist constitutes less of a threat to civilised mankind than a live one, whether at liberty or under constraint. Whatever the pros and cons of abolitionism in domestic penal policy, the terrible dilemmas occasioned by international political terrorism — particularly politico-religious terrorism exemplified by the Shi'ites, Liyahans and PLO — are not resolved by appeals to reason or Howard League-style liberalism. Like Nazism, a generation back, this is a new dimension of terror calling for new responses. The Iranian authorities acted last night to avert the worst that might have happened. Yet the toll of this latest outrage has been grim.

What can be done, apart from more meticulous attention to security? In the first place, the time is more propitious for bringing together countries which are actual or potential targets. An Arab and Moslem world which tended to view Palestinian, anti-Israeli and anti-American terrorism with tolerance, or worse, has become more open to reason and proposals for international anti-terrorist action as they themselves come increasingly under threat, and the Arab-Israeli conflict is seen to be marginal. The wider the terrorists spread their net, the broader the alliance which can be deployed against them.

Voices are bound to be raised suggesting that this new barbarism must be fought with barbarism. Moreover — the unthinkable will be thought — should not arrested or imprisoned terrorists be treated as hostages for their would-be rescuers' behaviour, if innocent lives are at stake? These are hard questions, but no harsher than the realities created by these new assassins plying from the haunts of the medieval Shi'ite assassins in Persia and Lebanon.

WHITEHALL'S NEW CLIMATE

SINCE THE INTRODUCTION of competitive examinations to the Civil Service more than a century ago Whitehall reform has rarely been a subject to capture public imagination. But last week's announcement that civil servants earning between £12,000 and £30,000 a year — Principals to Under Secretaries — will in future be entitled to a merit bonus of up to £1,000 is a key part of a far-reaching change in the way Whitehall is run. Mrs Thatcher, who as head of the Civil Service has been anxious to rid Whitehall of its pen-pushing, over-cautious, "safety first" attitudes, has sought to encourage enterprise among civil servants as enthusiastically as elsewhere. Behind the scenes she has instigated a series of reforms which together amount to a revolution in the Civil Service. A new management philosophy is being introduced.

The decision to reward success — so long as that is what is rewarded — is a vital step towards giving individual staff greater personal responsibility for their own decisions. Perhaps because of the fear of an adverse reaction from the civil service unions, Lord Gowrie, the Civil Service Minister, has shied away from extending the scheme to a broader range of grades. He has also, for the moment, sidestepped any mention of the corollary to incentives for success — the need to punish failure. It is surely not enough that the mandarins responsible for bringing us the next Concorde or the Lancelotti saga should merely lose their £1,000 bonuses.

As successive reforms emerge the long-term logic of the Government's step-by-step approach is becoming clearer. Lord Rayner's efficiency reviews and their successors have provided ample opportunity for young high-flyers to point out their superiors' managerial oversights and inefficiencies. The manpower review, which has now trimmed the size of the service by over 100,000, has put staffing needs under a microscope. With a smaller service inevitably slowing the pace of promotion these high-flyers have to be given more responsibility, and the rewards it brings, if they are not to be lost to the private sector. Furthermore, the decision to charge Departments for the real cost of the services they use — everything from postage to computer time — has given staff a chance to challenge Whitehall convention when it is shown to be costly and inefficient. By offering a series of incentive bonuses to its top managers the Government has come up with a £4 million carrot. The question now being broached in Whitehall is how long before it dares to confront the unions with the stick?

A QUESTION OF EDUCATION

THE WEEK that began with a Tory revolt over higher education ended on Friday with the sorely tried director of the Polytechnic of North London announcing, understandably, that he has had enough. Not much connection between the North London horrors perpetrated in the name of learning and what most of us would think of as a university education. But there is a link of a kind. The man in the street who has watched the shenanigans at the poly can reasonably wonder why on earth he and other taxpayers should finance students, and their teachers, who cause trouble which not only wastes the money spent on them but interferes with the useful work a polytechnic does. It would not be surprising if the same man in the street went on to wonder whether he is being called on to finance too many students generally.

Could he possibly be right? Leaving aside the troublemakers among students, and leaving aside how the State should juggle the money between taxpayer, parent and the student himself, could it just be that we are putting too many young people into the universities? This is the question few have dared ask since Robbins. The Robbins report drew the obvious unfavourable comparisons between Britain and other countries in the scale of higher education. It was hard to dispute his logic, not least in regard to technological education. But the post-Robbins pattern does cause concern, quite apart from the problems caused by the FRANCES MORRELLS of the educational world. For instance, various professions which used to recruit largely from among school-leavers — law and accountancy are the best-known — have prided themselves on moving towards becoming all-graduate. Fine. But it could mean that what was intended as a liberalising educational reform led to a structure more, not less, rigid. The fuss over Sir Keith Joseph's proposals may make parents ask whether, and what kind of, a university education is useful. British society as a whole has similar questions to ask.

COMMENTARY

T. E. Uiley

WHEN THE historians come to write about the events of last week, I bet that they will not subscribe to the view that Sir Keith Joseph was the half-crazed victim of a rigid ideology. I also bet that they will convert what Mr Giles Radice described as a "humiliating climbdown" into a brilliant strategic victory.

For what, after all, has been the immediate political consequence of Sir Keith's "humiliation"? It has been the conversion of a large number of Conservatives to the view which he espoused and which they originally rejected, that the time has come for student loans as an alternative for the rich and the relatively rich to student grants.

Of course, the historians will be wrong. They will not be wrong in vindicating Sir Keith from the charge of "insanity"; that particular condemnation was invented by some squalid, exhibitionist journalist (I suspect), and has been perpetuated by the almost infinite intellectual idleness of that journalist's professional colleagues. They will be wrong, however, in attributing to Sir Keith any degree of political intelligence in his handling of this matter.

It is not that he is destitute of political intelligence; far from it! He is one of the few Ministers of the Crown to whom one can say anything of a political nature and be instantly understood; most of the others will have to have it repeated two or three times. His trouble is rather that he is a voluntarist; he is a politician at all.

He is quite well respected by his civil servants, precisely because he has turned himself into an administrator for the same reason, he is not nearly as much disliked by the education industry as you might expect. Let us therefore consider exactly what happened.

It is well known that at first the Prime Minister was deeply disturbed by the proposals. She is, after all, the best election agent in the United Kingdom and any idea that this politician of conviction is indifferent to such vulgar considerations should be instantly discounted. However, she was persuaded that this was the only thing to be done and, having reached that conclusion, she supported Sir Keith all the way.

In this way she illustrated two of her dominant characteristics — her immense political cunningness and her great loyalty. I would say, to all her colleagues (until his last days of that side of her character) but to those colleagues whom she believes genuinely to share her objectives.

Sir Keith got it wrong because he paid virtually no attention to the political consequences of the operation. He underestimated the number of those who would be offended; he did not cotton on to the fact that the National Union of Students had developed an entirely new (for it) and highly sophisticated method of lobbying, consisting of a strenuous campaign to encourage Conservative constituents to write the kind of letter to their MPs which impresses such MPs. (The N.U.S. I understand, had some assistance in this campaign from a member of its executive who is a Conservative.)

Above all, having ceased to be a politician, Sir Keith took no care to test the reactions of Tory backbenchers or argue with them. He seems, naively, to have calculated that, because last year the student grants to the relatively rich were eroded without much trouble, he could repeat the process with very little trouble also. That was an extraordinary calculation. The suddenness of the cuts also flew in the face of the sacred Tory principle of "legitimate expectation."

The unshot may be that he will get student loans in the end but, in the meantime, through the abandonment of his cuts, he has, I have no doubt, alienated a large number of working-class Tory voters who do not see why they should support the children of the rich in relative and often subversive idleness.

But the trouble, of course, lies deeper. Somehow or other the middle classes have got to be made to realise and accept that "Thatcherism" far from being designed as the Left alleges to support their interests indiscriminately, is a thoroughly Victorian concept of self-dependence plus philanthropy. They still have to go on supporting the poor while, in future, also being obliged to look after themselves. It is not at all a pleasant prospect.

To make it acceptable at all, middle-class people will have to be offered a serious alleviation of tax. What is more, they will have to be convinced intellectually (not by the stealth of the justice of what is being done to them. Those seem to me to be the lessons of Sir Keith's "humiliation.")

SO ANGLO-IRISH relations are back to normal. Mrs Thatcher following fully though, I have no doubt, coincidentally, the advice of this column has explained to Dr Fitzgerald that the various lunatic proposals advanced by the New Ireland Forum are all equally unacceptable. Dr Fitzgerald has had the predictable tantrum and they have now kissed and made up.

This is all highly satisfactory. What is now needed is some moderately generous and imaginative gesture by the Ulster Unionists in the way of extending a judicious hand of friendship to any constitutional nationalists who are willing to co-operate in running Ulster within the Union. So far, no such gesture has been forthcoming.

Accommodating the interests of council tenants

THE Government is now engaged on a £1.5 million sales campaign to encourage more council and housing association tenants to buy their own homes — and more power to their elbow.

The policy of selling council housing is one of the most potent political weapons discovered by the Conservative party in the past 10 years, but the strength of the initiative will be lost if we cannot liberate the tenants of council flats as well as houses.

By altering the formula for selling tower blocks, public liabilities can be transformed into private assets. The Labour party's stronghold would be undermined and hundreds of thousands of votes bought by socialist municipal patronage would be transferred to the Tories. It is good social policy and powerful politics.

My experience on the housing committee of Westminster City Council makes me pessimistic about its likely success as far as the inner city areas are concerned. Here, most tenants live in blocks of flats on council estates which are notoriously difficult to sell. In Westminster, after 10 years of trying, fewer than 1,000 units have been sold out of a housing stock of 24,000 units, despite what appears at first sight to be a reasonable price when compared with nearby flats in the private sector.

In fact, our prices are completely unrealistic because, under the terms of the Housing Act 1980, the value of a dwelling house must be calculated on the price it would fetch if sold on the open market by a willing vendor and with vacant possession. Tenants are offered a substantial discount on this price, depending on the length of tenancy, but this is an unnecessarily complicated system which is clearly not effective in persuading people to buy.

Inheriting rights

There are other special circumstances which apply to council flats and which need to be taken into account. As a Westminster City councillor I was recently called to serve on an inheritance panel to settle a dispute between the council and someone claiming to have the right to inherit the tenancy of a council flat. To this case a man claimed to have been sharing a one-bedroom flat with his mother, although he was registered as the tenant of a council flat in another part of London. Despite this he was awarded the tenancy of his mother's flat — a demonstration of how seriously the right to inheritance is taken by the council.

From the point of view of a potential purchaser of a flat in the

same block this means that occupants of the surrounding flats have security of tenure for at least two generations.

Another factor is that surrounding tenants may be indifferent to the standards of maintenance of communal parts of the property, even contributing to vandalism and other forms of abuse which, unfortunately, is commonplace on council estates.

When all these factors are taken into account the value of a flat in a council block takes on a very different aspect.

The criterion which has always governed the construction of council

TERESA GORMAN

argues that legislation has priced many council flats out of the market

Flats on council estates which are the largest quantity for the lowest price and as a result building standards have frequently been shoddy, needing a high level of maintenance and expensive repair bills for work which itself is often of a poor standard. Nobody really cares much because nobody feels that they really own the property.

Then there are rent subsidies. At present one in three households in this country gets some form of rent rebate for council tenants in England this currently amounts to more than £2,000 million a year. To put it simply, by failing to take all these factors into account we are grossly overvaluing council flats and that is why we cannot sell them.

From the perspective of a local councillor, council tenants are a disgruntled lot forever grumbling about their accommodation — often with reason. Who, given the choice, would live in much less luxury, a flat on most of our council estates?

If we are to increase sales the price we ask must be closely related to the current rent paid net of rent subsidy, excluding the rates. Current rent payments can then be converted into mortgage repayments over a 15 or 20-year period and that would determine the price received by the council: there would be no restrictions on subsequent rights to sell but purchasers would be precluded from coming back on to a council housing list.

Under my scheme the tenant turned owner still enjoys approximately the same disposable income, although something extra will be required from time to time for service charges, management and maintenance.

For this reason it is desirable that blocks are put into good structural repair before encouraging sales.

The new owner-occupiers would become shareholders in a maintenance company set up for each block and they would naturally regard the upkeep of the block as very important, taking a close interest in the quality and the cost of management and maintenance. They would also have a keen interest in seeing that the overall quality of the block and the surrounding estate are maintained to protect their asset.

The council would also be a shareholder in the maintenance company on behalf of those who wish to remain as council tenants.

What about those tenants for whom the prospect of ownership and a capital gain may not be a sufficient incentive to buy? They will have the option of remaining as tenants, although at any time they will be able to buy at a price related to the rent at the time of purchase. Even older people will be encouraged to purchase, given the prospect of leaving something to their children.

Realistic prices

If we are realistic about the price of council flats even if the community will gain, Council tenants will convert a non-negotiable right into a negotiable one at a price they can afford: the council will receive large amounts of cash and it will save millions on the upkeep of property and the cost of running large housing departments. Ratepayers will benefit, including those renting or buying in the private sector where rates often exceed rents. Businesses and householders in the vicinity of council estates will gain as vandalism and dilapidated property begins to blossom under the care of the new owners who have acquired the right to have a say in improving their environment. The economy as a whole benefits from a much wider property-owning class leading to increased mobility of labour.

The Government will be able to begin reversing the trend towards more and more spending on the provision of housing, maintenance and rent and rates rebates, currently costing the taxpayer over £5 billion a year. The Government should seize the opportunity to achieve the same success with the sale of flats as they have manifestly achieved with the sale of council houses. At present council flats are not assets but liabilities to the ratepayers; success depends on getting the price right.

The author is chairman of the Alliance of Small Firms and Self-Employed People.

LETTERS

Ethiopia's record on aid supplies

From the Marquess of Ailesbury
SIR—Having read your leader "Aid Going Astray" (Dec. 5), I must express my surprise at your readiness to accept the various statements and comments that have been made by Mr Galloway, director of War on Want.

This is not the first time that allegations of misappropriation of aid have been made against the Ethiopian Government.

On each occasion there have been independent investigations and the truth or otherwise of such allegations has been found. On each occasion it has been found that no misdirection of aid supplies has taken place. American aid has been taken up by the Ethiopian Government and applied to the various needs of the country. It is a pity that the one country in which there is virtually no misappropriation of aid has been so widely criticised.

Although I have travelled recently fairly extensively both in Ethiopia and Eritrea, I have never at any time observed any of the oppression about which one hears so much.

ATISA
Kirkcaldy, Ayrshire.

Transport in the open

SIR—There is no secrecy about the way London Regional Transport conducts its business. Contrary to Mr Ken Livingstone's suggestion (Dec. 5), L.R.T. is still producing all the financial and service information applied to the Greater London Council when it controlled London Transport—and is supplying it to the appropriate bodies, as Mr Livingstone must know.

A great deal of business and financial information is submitted to the Secretary of State for Transport (who is accountable through Parliament for the conduct of L.R.T.); the G.L.C. receives all relevant information to fulfil its statutory duties; and detailed service performance reports are provided to the London Regional Passengers Committee which sits in public.

These reports to the passengers' "watchdog" body give the very information about bus and Underground service quality which Mr Livingstone suggests is no longer available.

The L.R.T. Act places on us a number of additional requirements including publication of an annual business plan; publication, after consultation with public authorities (including the G.L.C.), of a three-yearly statement of strategy; publication of an annual report and accounts; notification to public authorities of plans for fares and services; each year, consultation on aspects of bus service changes exactly as it was before the formation of L.R.T. L.R.T. has already published such information as the need has arisen, and intends to publish and consult fully in accordance with its statutory responsibilities.

We believe that these measures, taken together with our regular contacts with London boroughs and other authorities at a local level, will guarantee that there is no lack of information on, or public debate about, L.R.T. affairs. The publication of our first annual business plan later this month will provide the facts around which an informed debate can take place, and will be part of a public information process which I am determined to develop.

(Dr.) K. BRIGHT
Chairman and Chief Executive,
London Regional Transport,
London, S.W.1.

Programmes for Asians

SIR—I agree with Dr Sanjoy Roy-Chowdhury (article headed "Minority that has gained majority" Dec. 3) that 30 years on times have changed, that the younger generation of Asians have no problem of communication.

But I would like to say that not all young Asians have the advantage of appreciating their rich cultural heritage, that not all outsiders, especially the older generation of Asians, have become fully assimilated. Recent statistics show that over 80 per cent of elderly Asians have very little English.

This brings me to Dr Roy-Chowdhury's statement that the Asian Programme on BBC 1 on Sundays did not have its target audience well defined. The programmes generally are transmitted in a mixture of Urdu and Hindi languages, for those whose knowledge of English is limited and the English subtitles are provided for those who are interested in the content. Their knowledge of Hindi/Urdu is limited or non-existent.

ASHOK RAMPAL
Exec. Producer,
Asian Community Programmes Unit,
BBC,
Birmingham.

Blended whiskies

SIR—Air Vice-Marshal S. B. Grant (Dec. 3) raises important points over apparent blind label specifications of blended whiskies.

Twenty years ago such blends contained exactly what the public expected and tasted from one Christmas to another. But as supply and demand today forces a highly pressurised situation, doubts may be formed about the consistency of the age of malts that make up a blend before they are married into grain.

Certain older brands are labelled with their age clearly marked and it is inclined to segregate them entirely from the rest. It may, therefore, be a pertinent idea for the other younger blends to be illustrated with a similar guarantee. This is surely a fundamental courtesy of authenticity.

HADRIK, B. BURTT
Hadfield, Suffolk.

Church of England

SIR—Concerning the Church of England's foundation, if the Rev J. Fordham and Mrs E. FitzGerald will spare a moment on the opening ceremony of the new church at the "Magna Carta" (1215), it should be a matter for them: "quod omniuno ecclesia libera sit" (that the Church of England may be free).

ANTONY J. EVANS
Chilpenham, Wilt.

Funds for shoes

SIR—In your leader (Nov. 30) you state that "there are public funds that school children can use" in order to obtain shoes for schoolchildren. We are in 1984, and there is no legislation that allows the use of public funds for social workers for such a purpose.

MICHAEL COLEMAN
London, W.3.

LONDON DAY BY DAY

The Admiralty Board Room on an easel made from the old mahogany pews of the chapel of Greenwich Hospital, now the Royal Naval College.

Out of tune
A JINGLE by the eminent French composer Olivier Messiaen, destined to introduce events held in the city to the European organising committee in Strasbourg at the wrong speed, several times before the mistake was noticed, and although a BBC film has made the music more acceptable to television channels, radio stations have been very reluctant to use it.

Promotion of the jingle has not been helped by Messiaen's insistence on payment by royalty every time it is played, rather than by the 8,000 French franc lump sum offered by the committee. The official view is that the composer would have been wiser to accept the one-off payment.

The Rod spared
ONE OF THE MOST interesting spectators of the television of the House of Lords, which starts in January, will be the retiring Black Rod, Lt-Gen. Sir David House who is leaving the post at Christmas.

House's successor, Air Chief Marshal Sir John Giggell, is unlikely to have to deal with the unruly behaviour in the Upper Chamber of course, even under the provocative glare of the television lights. As it happens, however, Giggell is already setting the broadcasters an early test — how to pronounce his surname properly. For the record, the first "G" is hard and the second soft.

Northants carols
PRINCESS DIANA's father, the Earl of Spencer, has agreed to read a lesson in a carol service to be broadcast by BBC Radio Northampton from a local church in Wellingborough, but will not be leaving home to do so.

Lord Spencer's reading, from Luke's verses about the shepherds keeping watch at night, will be recorded at his home at Althorp and played into the programme during the service.

The radio station has tracked down other celebrities with local links, including Richard Baker who was evacuated to Northampton during the last war, Lady Heskeith and the local football club manager and their contributions too will be recorded in advance.

Just for kicks
A SPECIAL demonstration of the Chinese martial art of kung fu is being held at midnight tonight at the Odon Leicester Square, where British practitioners and a team from China will be showing off their high kicking skills.

The location and timing would appear to be deliberate — aimed to lure the waiters and cooks of Sob's Chinese restaurants as they go off duty.

GOING UP IN THE WORLD
AN OVERVIEW of the 1984-85 financial year, planned by the G.L.C. engineers, is to be presented in the latest issue of Executive Post, claims that there are "opportunities for women and men at all levels."

PETERBOROUGH

صوتنا من الامم

National Theatre 'being penalised for success'

By HARVEY LEE Arts Staff

THE NATIONAL Theatre revival of "Wild Honey" carried off three London theatre awards last night, only hours after the leak of a confidential report to Lord Gowrie, Arts Minister, in which Sir Peter Hall, its director says that the company risks a perilous decline because of an alarming cash crisis.

Forecasting a deficit this year of £200,000, the company has called for an extra £1,500,000—representing a 20 per cent. increase—in its Arts Council grant next year.

Without the money, the National says it will have to drop its plan to create five acting companies.

Copies of the report have gone to Sir William Rees-Mogg and Mr. Luke Littler, chairman and secretary general of the Arts Council, and to members of the National Theatre Board. Sir Peter Hall said: "We want to make clear to the Minister that in us he has an investment, that yields great financial dividends—apart from social and artistic ones."

Unique achievement

"Every year, the National Theatre returns to the Treasury £4 million in tax and VAT on tickets. It provides thousands of jobs and is a big dollar earner. From 1979 until 1985 we balanced our books, a unique achievement in the subsidised theatre."

"We believed that all these factors would appeal to a monetarist Government. It seems not. We are in fact being penalised for our success. Without extra money, a successful and profitable Government investment could become an appallingly wasteful one."

The report claims that the National has lost more than £4 million in grant increases against inflation since 1979.

Coupled with estimates that the South Bank auditoriums have only been on average three-quarters full this year, prophecies of doom threatened to eclipse the National's hat-trick last night in the Laurence Olivier Awards.

Jan. McKellen, John Guter and Christopher Morahan, star, designer and director of "Wild Honey," each received personal awards at the ceremony organised by the Society of West End Theatre.

Olivier ill

Lord Olivier himself had influenza, and was not at the Theatre Royal, Drury Lane, to witness the SWET awards given for the first time in his name. Vanessa Redgrave was named actress of the year in the revival of "The Aspern Papers." Edward Petherbridge ("Strange Interlude") and Marcia Warren ("Stepping Out") were best supporting players, and Maureen Lipman gave the best comedy performance, in "See How They Run."

BISHOP TUTU'S PRIZE DAY

By JULIAN ISHERWOOD in Oslo

BISHOP Desmond Tutu, the 53-year-old Anglican anti-apartheid activist, arrived in Oslo yesterday for today's presentation of his Nobel prize for peace and the \$150,000 that goes with it.

Bishop Tutu, who becomes the first black Bishop of Johannesburg next month, was met at Oslo airport on his arrival from London by members of the Nobel peace committee.

Last night he and Mrs Tutu attended a dinner in their honour hosted by the Nobel committee.

On his arrival in Oslo, the Bishop said: "The peace prize is to show that God is in charge here in this world and that justice, goodness, peace, love and compassion will prevail, that God cares, the world cares and we are winning."

'We have won'

"There is now hope. The white South Africans have lost. We have won. We are being able to them by saying: 'Join the winning side, we will be able to you: we do not want to drive you into the sea', he added."

The Bishop said South Africa was already in a state of civil war, but added that he would not take up arms and described himself as a "peace-lover but not a pacifist."

He said that according to Christian traditions the time could come when it would be justified to overthrow an unjust regime by armed struggle.

LORD MAYOR PICKED

Mr Roger Bramble, chairman of a firm of Lloyds' brokers and a sheep, beef and grain farmer, is to be the next Lord Mayor of Westminster. He is to take office next May.



Bishop Desmond Tutu from South Africa, winner of this year's Nobel Peace Prize, accompanied by the Archbishop of Canterbury, Dr Robert Runcie, when he arrived at Canterbury Cathedral yesterday to preach a sermon.

MONKEY RESEARCH PROTEST

TWO Glasgow University professors involved in controversial American-based brain damage experiments on monkeys have become the targets of a campaign by an animal welfare group.

The Scottish Anti-Vivisection Society says it will stage demonstrations at the homes of Prof James Hume Adams and Prof David Graham if they do not withdraw from their involvement in the "sadistic" and "sickening" research work being carried out at the University of Pennsylvania.

The Glasgow-based society has already notified its West of Scotland members of the professors' home addresses, urging them to write letters demanding that Glasgow University severs its links with the project.

They were also advised to be available for an "important demonstration" against vivisection to be held on Dec. 15 at an unspecified location.

Injured monkeys

The society has been campaigning for over a year to end the Glasgow connection with the Pennsylvania experiments, which involve inflicting head injuries on monkeys in order to study the type of brain damage sustained in road accidents.

Although the two professors are not directly involved in the American laboratory work, the society claims that their contribution to the project is vital to its continuation.

Following the experiments at Pennsylvania University, the monkeys' brains are frozen and flown to Glasgow University's neurophysiology laboratory in the city's Southern General Hospital, where they are examined by Prof. Adams, the departmental head, and his colleagues. He has stated that the Glasgow facility is the only one in the world capable of carrying out this work.

Struggling animals

Last month the society staged a protest screening for journalists in Glasgow of edited highlights from over 70 hours of video tape stolen from the Pennsylvania laboratories by the American Animal Liberation Front.

These showed apparently conscious animals struggling as the brain damage was inflicted, a dying baboon left unattended after being injured, researchers smoking while working at an operating table, and staff cracking jokes while playing with a brain-damaged monkey.

Following the screening, Prof. Adams said he could not defend some of the American researchers' behaviour and would only continue with the project if he received assurances that the code of conduct relating to the treatment and handling of the animals was adhered to.

Glasgow University's information officer said that the university had stopped accepting "samples" from the American laboratories until such time as assurances have been received that the code of practice is being followed.

Moscow Embassy challenge for British architects

By NICOL WADE in Moscow

BRITISH architects will face a challenge in designing a new British Embassy in Moscow if negotiations to move from the present one proceed as planned.

It is a challenge the Americans have failed to meet.

Their ugly, fortress-like Embassy in red brick now in the final stages of completion, fails to make any architectural statement about American ideals and principles.

Russians looking at the compound might have been enticed by its admiration: "See, that's what they can do. Those Americans."

They see instead what a Russian architect could have designed for any Moscow ministry, had he the Americans' high-quality building materials.

In fact, a hotel newly built to Moscow for members of the Communist party Central Committee is a good deal more interesting to look at than the new American Embassy.

Slow negotiations

British architects, when eventually called on as slow-moving negotiators, will have their opportunity to declare the West's free spirit in bricks and mortar.

Negotiations are likely to be slow and difficult, with the Foreign Office using as leverage the Russians' need for two big new Embassy enclaves in West London.

Sir Iain Sutherland, Ambassador in Moscow, is determined that Britain should not build for herself a walled citadel, cut off from the real life of Moscow. He strongly believes that this would be doing the Soviet authorities' work for them.

A new Embassy is likely to last about 100 years, the Ambassador reasons, and should not be built on the assumption that Soviet society will through-out that period remain as closed and defensive toward foreigners as it now is.

Sir Iain would want, for example, a British reading room and cultural display centre with immediate street access, even though in today's conditions Soviet guards outside would make it difficult for Russians simply to walk in.

Detailed negotiations over the new Embassy will be conducted by Sir Iain's predecessor in Moscow, Sir Curtis Keeble. The Embassy has been under notice since 1952 to quit the beautiful Gorky merchant's mansion it now occupies opposite the Kremlin.

U.S. SHOWS GO ON CHINA TV

By HUGH DAVIES in Peking

PEKING television offered its usual pragmatic fare last night—a documentary on Daching oilfield followed by an item on stamp collecting and a lecture on how to preserve oranges.

There was also a Chinese-made film entitled "Misfortunes never come singly."

However, a change is in the air. China Central Television has begun screening 64 hours of American programmes produced by the Columbia Broadcasting System.

The first of the planned weekly four-hour spots drew a huge audience a few nights ago. It showed American ice figure skaters and the 1985 world gymnastic competition. Others are scheduled to include a documentary on America's role in China during the Sino-Japanese war, science and sports programmes, and cartoons and films depicting the American way of life.

Image advertising

CBS is giving the programmes free of charge on condition that five minutes of commercials are included in each hour-long segment. Corporations such as Boeing and IBM are expected to use the air-time for image advertising.

Meanwhile, the singer John Denver has visited Peking to organise a world-wide live satellite television broadcast. He is liked by Chinese leaders, Teng Hsiao-Ping and Zhao Ziyang who saw him perform during their trips to America.

GANG STEALS AMBULANCE

Joyriders stole a £20,000 ambulance which is answered an emergency call in Cotswold Way, High Wycombe, Buckinghamshire, early yesterday. The county's ambulance chief, Mr Colin Wilcox, said: "We could have lost a life because of this thoughtless action." The ambulance was later found abandoned and undamaged three miles away in Swakeley Close, Loudwater.

Stores packed for Sunday opening

SUNDAY Christmas shopping came to London's West End yesterday—and was voted a great success by the store managers defying the trading laws.

Shoppers turned out in their thousands to take advantage of the extra Christmas shopping day.

They were met by members of the shop workers' union, U.S.D.A.W., who picketed Heals and Habitat stores in Tottenham Court Road, distributing leaflets opposing any relaxing of the Sunday law.

Mr Geoff Davy, managing director of Heals, said he was "very surprised" that the London store was as packed as any pre-Christmas Saturday.

"It appears to be a successful experiment and it has been great to see such a high number of families shopping here," he said.

Mr Davy praised the pickets for their good-humoured demonstration and there was no trouble.

Bomb hoax

The only blackspot was a bomb hoax which led to police evacuating the entire store.

Mr Chris Makomson, manager of Habitat's Tottenham Court Road branch, said the Sunday opening—which will be repeated each Sunday this month at five Habitat stores around the country—has been "extremely successful."

"Shoppers are saying how much easier it is to come in on a Sunday, particularly for parking," he said.

Terry Sullivan, U.S.D.A.W. national officer, said he was "shocked and dismayed" that major stores should consider breaking the law so openly.

A spokesman for Debenhams, who plan to open all their British stores on the two Sundays before Christmas, said the law was likely to be changed soon but the group would pay any fine.

Habitat is only opening five selected stores on Sundays before Christmas—King's Road and Tottenham Court Road in London, plus Canterbury, Watford and Taplow near Slough.

Most major chains are waiting until later this week before announcing their plans for Sunday opening.

SUNDAY TRADING

In some editions on Saturday it was reported incorrectly that Debenhams, with 68 branches in England and Wales, would open its stores yesterday. The stores will be open next Sunday, and we apologise for the error.

BABES IN THE WOOD PANTO FOR RADIO 3

Radio 3's first Christmas pantomime is the first radio production of a traditional players' theatre panto originally performed in London in 1850.

Babes In The Woods and the Good Little Fairy Birds goes out on Boxing Day with Dilly Lane, Jane Wenham and Julia Sutton as the three witches and a rich musical backing including works by Verdi and Rossini.

The main Christmas offering on Radio 3 is a 10-part feast of sacred music covering 700 years. Set in the great European cathedrals and palaces of their day, these Christmas masses were recorded mainly in London churches but include one in Rome's Sistine Chapel.

SINGULARLY BUSY

One of Britain's oldest women, Miss Louie Hemington, was 107 yesterday at her nephew's home in Penny Gardens, Kirtlington, near Boston, Lincolnshire, where she has lived all her life. She says she has always been so busy that she had neither time nor opportunity to get married.

BOY'S DEATH WAS MURDER, SAY PARENTS

The parents of schoolboy Mark Billington yesterday appealed for help in unravelling the mystery of his death. An inquest jury at the weekend returned an open verdict after two days of hearing evidence.

Mark, 15, of Gilbertstone Avenue, Yardley, Birmingham, was found dead last month hanging from a tree six miles from his home. He had disappeared 10 weeks earlier after telling his family he was going for a bicycle ride.

His mother, Mrs Winifred Billington, said yesterday: "I still firmly believe he was murdered." She and her husband, Roy, asked for anyone with any information to contact them or the police.



Soon the lions of Singapore will have plenty to roar about. Starting January 16th 1985 Air Canada is flying to Bombay and Singapore. Flights leave London Heathrow at the civilised hour of 11.45. Every Wednesday, Friday and Saturday. The only direct morning flights. Book 21 days in advance and an Apex return fare to Singapore costs just £604 with Air Canada. Not much to pay for the good old Canadian hospitality that makes flights so good you won't want to get off!



For full details of Air Canada's schedules and fares to Singapore, see your travel agent or ring Air Canada direct: 01-759 2636, 021-645 9807, 061-236 9111 and 041-332 1511.



Special needs require special care. This computer designed means that severely handicapped children can communicate their thoughts, express their feelings and learn like other children. Each unit costs £2,000. Will you help?

"WE WILL BE CARING FOR CHILDREN AT CHRISTMAS, IN 1985, AND BEYOND. THEY NEED YOUR HELP."

"Just a glance at the pages of the National Children's Home survey 'Children Today' will tell you why thousands of children will be spending Christmas in our care."

HOW MANY CHILDREN? Figures for England and Wales show that in 1982 there were 18,400 children "in care" because they had been neglected or ill-treated; just part of a staggering total of 93,200 children "in care" overall (sadly this figure includes 11,000 children under 5). It's facts like these that mean NCH will be caring for damaged and deprived children, not just for Christmas, but well into the future.

WHAT CAN WE DO? NCH gives these children a future. Some, we prepare for a return to their family home or to foster parents. The older ones, we prepare for life in the outside world, often without a job, but always with the friendship and support of NCH.

WHAT CAN YOU DO? We ask for your support in giving young people the skilled care and guidance they need. There are three ways you can help. You can send a donation to further our work. Better still, you can covenant a regular donation. This means that provided you are a taxpayer NCH can reclaim from the Inland Revenue the tax you have already paid on your gift. At present, that would amount to an extra 43 pence for every pound you give—and it won't cost you a penny more! Finally you can send for a copy of "Children Today" just to see what's happening to thousands of our children and young people.



Send the coupon back to me now, and you will be helping us care for thousands of children, not just at Christmas, but into the future. Thank you!

Viscount Tony Pandy, Chairman.

Viscount Tony Pandy, Chairman, National Children's Home, 85 Highbury Park, London N5 1UD

I want to support the work of NCH and enclose the following donation: £5 £10 £15 £20 £25

I enclose cheque/P.O. made payable to National Children's Home Or please charge my Access/Visa A/c No.

Cardholder's Signature

☐ I am interested in sponsoring my gift to NCH. Please send me details.

☐ Please send me a copy of "Children Today".

Please tick here if you require a receipt ☐

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Maverick oilman wins over analysts

TEXAS maverick T. Boone Pickens may appear to be on a one-man crusade to shake up America's oil industry, but he is not alone.

The controversial oilman, who last week launched a takeover bid for Phillips Petroleum, has plenty of backers, including a number of influential Wall Street oil industry analysts.

Chief among the proponents of Mr Pickens' tactics is Donaldson, Lufkin and Jenrette's vice president for energy research, Kurt Wulff.

Mr Wulff has been arguing for years that America's oil giants are in desperate need of a shake-up. In his opinion, the oil industry leader's stock prices are too low, largely because the companies have squandered themselves with money losses and cut into profits through a decade-long practice of integration, diversification and bad management.

There is too much financial strength held by the large companies, contends Mr Wulff. "Having so much financial strength, they're not very careful how they use it. In the past they have tended to diversify."

THE AMERICAN INTERVIEW

unsuccessfully. They have tended to put more money in companies that are losing money, and they have not always done the best job they can on exploration and production.

"Those three things together have made the companies' stock price relatively low in comparison to value. And now we are seeing a reaction to the low stock price caused by those three factors. It is what I call the restructuring trend."

Number one on the list of restructuring mechanisms is takeover. The low stock price, relative to worth, makes companies such as Phillips vulnerable to acquisition.

The Oklahoma-based oil giant, which is America's tenth largest, has topped Wall Street's potential takeover list for the past several months. Mr Wulff has been advising clients to buy Phillips stock since Mr Pickens' raid on Gulf Corporation forced the oil giant to sell itself to Chevron rather than face a proxy fight led by the Texaco.

Phillips is just what Mr Pickens has said in the past he wants in an oil company—it has an above-average dividend, a lacklustre record at replacing oil and gas reserves and managers who take decisions that don't always maximise shareholder wealth, says Wulff.

Mr Wulff, who at 44 is one of the more outspoken yet influential energy industry analysts, does not see necessarily that Phillips' shareholders would be better off with Mr Pickens running the company.

"We don't advocate that Phillips should be taken over, or that they should become the target of a proxy contest," he explains the analyst. "But we do want Phillips to make some changes to reshape their company into pieces that are worth more in the stock market."

Mr Wulff and the team at Donaldson, Lufkin and Jenrette are convinced that all of America's oil companies should spin off operations—marketing, refining, production exploration—into separate entities, each run independently of the other and each with its own stock.

Mr Wulff in effect would like America's oil industry giants to be chopped up into a host of smaller companies.

The spin-off idea is one that Mr Pickens also advocates and he has said his plans for Phillips should be gain control, will include separating the company's operations.

"We would like to see Phillips separate refining and marketing from exploration and production," Mr Wulff explains. "Then we would like to see them sell what remains: diversified businesses they have. If they created several exploration and production companies the separate operations would be worth more on

James Srodes

Hugh Jenkins to head Heron U.S. operations

By BRUCE KINLOCH

SPECULATION over the future of Hugh Jenkins, who resigned unexpectedly last week as head of the investment team at the National Coal Board pension scheme, will end tomorrow when Gerald Ronson will announce that Mr Jenkins is to join Heron International to run its United States operations.

The City will see the appointment as a major coup for Heron, which has a vast and expanding investment in the United States. Apart from Heron Properties Inc. and Hall Properties Inc., the group has a major financial services division in America.

It owns Pima Savings and Loan Association, Western American Financial Corporation and Western American Insurance Agency. Last July it disclosed that it had paid \$34.1 million for Sun State Savings of Phoenix, Arizona, a move which has helped Pima substantially to increase its base for further expansion.

In the year to March 31, 1984 Pima's total assets passed the \$1 billion mark, a 47 p.c. rise in the year and the United States financial services operations made a considerable contribution to the \$16.4 million earnings from the division as a whole. This includes the National Insurance and Guarantee Corporation which operates in the United Kingdom.

Hugh Jenkins, who was at the Coal Board for 22 years, the last 12 as head of the in-

vestment team, has built up enormous respect in the City where he is regarded as one of the most astute investment managers.

He has considerable experience of the United States, where the coal fund's investment arm, Pan American Properties, owns a huge portfolio formed from the acquisition of Continental Illinois Properties, a real estate investment trust which was acquired when the exchange rate was \$2.25 to the pound.

Earlier this year Pan American acquired through a tender offer Rampac, an Oakland, California, real estate trust, taking the coal funds' assets in the United States to \$750 million (\$525 million) making it the largest British-owned property trust there.

Mr Ronson has had a close association with Mr Jenkins for many years. Heron developed the successful St David's Centre shopping project in Cardiff with the coal fund as its partner and it is working on a £100 million development in Southampton with the same partner.

Last year the coal fund was backing Mr Ronson in his £200 million bid for UDS, the Stores group.

Mr Ronson sees the United States as a growth area for Heron International. The group recently established a major presence in the New York real estate market with the purchase of a Midtown Manhattan development site where an \$80 million (\$56.8 million) office tower is to be built.

TSB flotation set for next autumn

By ANNE SEGALL

PLANS for the stock market launch of the Trustee Savings Bank are moving ahead with surprising speed. A Government Bill providing the necessary enabling legislation is due to be introduced in Parliament within the next few days and should pass its first Reading before Christmas.

Once the TSB Bill gets under way, it should proceed rapidly through the legislative process, receiving the Royal Assent by early summer.

This means that the TSB will be ready to make its stock market debut by the autumn.

The proposed TSB flotation has already roused considerable excitement in the City, with analysts forecasting a value of between £500 million and £1 billion for the bank.

This would be the biggest new share issue ever contemplated after British Telecom and by far the biggest outside the Government's privatisation programme.

The need for special legislation arises from the TSB's unique character. It is a mutual

organisation, similar to a building society, and as such has no direct owners.

But the speed with which the Government is pushing through the necessary enabling legislation has taken even the TSB by surprise. The Chancellor announced plans to privatise the bank's privatisation programme by one year in the Queen's Speech in November, arguing that the move would increase competition in retail banking.

In the City, the TSB launch is seen as an exciting opportunity for investors to take a stake in a major retail banking group with enormous growth potential.

The TSB has six million personal customers and assets of nearly £10 billion, at the last count. Most of its lending has been to individuals in Britain and the group has thus avoided the pitfalls of loans to Latin America and other troubled areas of the world.

TSB chairman Sir John Reed has said that existing customers will be given priority in a flotation.

Telecom 'winners' today

AN ESTIMATED 100,000 applicants for British Telecom shares are expected to be disappointed when the two million allocation letters to members of the public go out by first-class post today.

About 5 p.c. of the applications are understood to have been rejected on technical grounds, largely because application forms were wrongly completed.

The number of disappointed applicants, although large in total, is regarded by City analysts as a sign of the massive sifting operation, as relatively small.

About 500,000 of the successful applicants will get their full allocation of 200 shares and another half a million 400 shares. The remaining million will get between 600 and the maximum allocation of 800.

COMPUTERS

Jingles bring jangles

CHRISTMAS is making the computer industry nervous this year. Even business machine sales show a seasonally and home computers traditionally notch up most of their business at this time, yet there are ominous forebodings about the 1984 season.

Market researchers have suggested that the home computer business has reached a plateau and may soon start to decline and business buyers are getting shrewder at a time when competition is already making marketing harder. In America there has been a slight downturn in sales of microcomputers for business use and the fears are that such trends usually cross the Atlantic.

Some computer makers who started with the low end of the business and graduated to commercial machines are fighting for their original base. Sinclair Research, which recently introduced the QL for small companies, is expecting continuing boom and is forecasting 175,000 shipments to retailers in the four weeks up to Christmas.

But it is meeting tough opposition. Acorn, maker of the BBC and Electron computers, is unveiling £4.5 million into publicity for the selling season. It is aiming to sell 300,000 of its computers and £2.5 million software during the two month period.

A further player is Jack Tramiel, of Commodore and Atari, who bought from Warner Brothers. In a bid to increase a share of the market he has just cut prices by a quarter, bringing the price of the 800XL

model, which heads his home computer range, to £139. And he issued a typically arrogant warning to European companies: "Just one of my worldwide plants churns out more than the next top three companies put together." He aims to produce more cheaply and on slimmer margins than competitors can afford.

Then there are the really big players, IBM and Apple, who have issued a warning to European companies: "Just one of my worldwide plants churns out more than the next top three companies put together." He aims to produce more cheaply and on slimmer margins than competitors can afford.

The giant American electronics group Sperry feels it has been left out of the microcomputer race and has been reduced to a mere 18 p.c. of the market. Its micro range now starts at £1,700 and goes up to £4,000.

ICL has also entered the low end of the business where "home" shades into "professional" into "small business" computing. It recently launched One Per Desk using the QL technology from Sinclair and adds phone and screen all for £1,200.

The market is getting very crowded. At its last count the National Computing Centre had 686 microcomputers, including 80 portables and 44 portable word processors. Most industry experts on both sides of the Atlantic have warned that such proliferation cannot continue and decimation is imminent.

The shakeout will be inter-

LOMBARD STREET

CITY'S MAN OF THE MOMENT

THE merchant banker of the day, much though he would dislike the label, is Martin Jacob. His was the army which marched British Telecom to market. That battle won, the City turns to the task of regulating it. If that is mishandled, it will be lost once and for all. Who was called to map out the battle-lines? Martin Jacob.

The plans are under guard. But the intelligence services of friendly powers expect them to provide for a Securities Industry Authority—to be set up at once, and to have the backing of law once the legislators can catch up with events.

Mr Jacob is a lawyer himself, coming to the City like successive Governors of the Bank of England, from the commercial bar. "Cyril Kleinwort asked me to join," he says. Today he is vice-chairman of Kleinwort Benson, a courteous, soft-spoken figure, much liked. Bankers call him sound, constructive, inventive, understated, kind: "Other people stub their toes where Martin doesn't."

He arrived to find the City still rocking from British Aluminium, when Siegmund Warburg had taken on a temporarily united City establishment, and won—rightly, Mr Jacob says. I don't like the idea of a club of people preserving their patch by club membership alone. It's got to turn on ability. I think that's highly relevant when it comes to City regulation. The clubs must open up.

Regulation came his way four years ago, when Governor Richardson chose him to head the powerful City Capital Markets Committee. Two years later he joined the Council for the Securities Industry, as deputy chairman, and the Takeover Panel. This year, Governor Leigh-Pemberton chose him to lead the Posse—the ten wise men who were to advise on a new structure for self-regulation, and were given three months. It cost me my summer holiday," says Mr Jacob ruefully.

Radical change in the City was

certain, Mr Jacob saw, once the Stock Exchange settled out of court with Cecil Parkinson: "My intense desire was to see that what was inevitable was subjected to some kind of order. The City is one of our few remaining really valuable export industries—apart from the fact that I also love the place."

"Regulation has got to follow a very narrow path, between being fair and adequate and good enough to protect the investor, without being so burdensome as to interfere with the free operation of the market." The United States Securities and Exchange Commission he calls "immensely cumbersome, immensely bureaucratic—if you read an American prospectus before making your investment, you're practically nique." He would not wish such a burden on the City: "We're apt to underestimate the vulnerability of London to competition. We need to be very efficient and very inexpensive."

Next, he relies on practitioners in a market to be tougher as regu-



Martin Jacob: "The City... I love the place."

lators than an outside body would be — "even on their peers and friends." Look at the Takeover Panel, and contrast its severity with the position on insider trading, illegal under a seldom-enforced law: "It's much easier to get away with insider trading now than it ever was... I believe in men and not laws."

Last, and vital, is to get the new authority going without delays—at either end of town: "This has got to be done fast. The conflicts of interest are not things of the future—they are here and now." Banks with funds under management can influence the profits of the brokers they are buying by putting commission their way: how to judge whether that is done fairly? The safeguards, Mr Jacob thinks, would normally come from disclosure, rather than from separate structures within the firms—but we need them now.

For the past thirty months, Mr Jacob has had to fit these preoccupations in and still leave room for Telecom. Team spirit, that old school virtue, is back in vogue among the merchant bankers now, and Mr Jacob insists that Telecom was a team effort. Tim Barker, until he went to the Takeover Panel, led the team. David Clementi succeeded him, each worked on nothing else. Mr Jacob and Lord Rockley, Kleinwort's head of corporate finance, were the team's senior members: "It took quite a lot of our time."

Issues stable

Telecom had followed British Aerospace, and Cable & Wireless, and Associated British Ports, and Enterprise Oil, all Kleinwort issues. Each had begun with a "to be industry" contest in Whitehall, with half a dozen merchant banks parading their charms. How did Kleinwort become Miss Privatisation?

"We made a big commitment to it," Mr Jacob says. "We understood and believed in the policy—

By Christopher Fildes

CITY'S MAN OF THE MOMENT

mind you, it's not our job to have views on the policy, simply to carry it out." What mattered with Telecom was the bank's total commitment to succeed or fail with the issue — "no escape routes, no equivocation." Tim Barker had first shown that if the big investors could be wooed and won early, confidence could begin to accumulate until the unheard-of £5,000 million could be found.

No doubt — but there is no doubt, too, that Whitehall likes working with Mr Jacob. They say there that he is master of his subject at every level of detail, that he listens to argument and responds in kind — central virtues in those Whiggish corridors which admit no force but argument. Some of his competitors rely on City mystique, which alone (so they suggest) can understand and harness. That goes down less well.

With Telecom safely launched, Mr Jacob owes to a slight end-of-term feeling. But the talk in the City luncheon rooms is of another term. The Securities Industry Authority will need its first chairman, and who could be a more natural choice? So says the lunchers, and only one dissension maintains that this will be a job, not for a Chancery lawyer, but for a hanging judge.

The ante-post bets are piling up on Mr Jacob. This, though, looks to be a race where it would pay to bet at starting prices. If Mr Jacob were asked to take the new job on, it seems unlikely that he would accept. "It's got to be run by somebody full-time," he says. "There's a lot to do here."

So we must expect another name to appear, soon, from the short list. But if the City were Vatican City, Martin Jacob's would be the name on the lips of shrewd money men, trading information in the colonnades: "Cardinal Jacob — he is papable, a man to watch at the conclave. Indeed, I hear that the Holy Father himself..." Then the robes swish, and the voices fade to a whisper.

Atlanta turns to Kingsnorth

ATLANTA Investment Trust, fighting off a £3m bid from Grove-Hill Group, this weekend revealed plans to buy licensed deposit-taker Kingsnorth Trust.

It also announced pre-tax profits much reduced from a restated £55,000 to £170,000, but managing director Tony Cole says these reflect early costs of expanding into financial services rather than the group's present position or prospects.

Core logic

THE UNITED Kingdom inflation rate is really less than 3 p.c. compared to the official 5 p.c. inflation rate of the retail price index, according to brokers Laming & Criswellbank.

They say the lower rate is the "core" rate or underlying rate of inflation, and derives from the expectations of households and businesses. But they also say the "core" rate is set to rise next year.

Swiss choice

SALE TILNEY, the food-to-financial services group, has paid £445,000 for 25 p.c. of Swiss-based fund management group FINAD. Sale Tilney also has a 25-month option to buy a further 25 p.c. to give it control. FINAD claims £24m worth of funds under management.

OUR SHARE RACE

THE 1984 Daily Telegraph share race ended with the last of the day's stock market dealings on Friday. We shall announce the winner and the runners-up next Tuesday including some last-minute changes among the leading pack.

By Michael Becket

Scott Goff in link-up talks

BROKERS Scott Goff Layton are heading for a New Year link-up with the jobbers Smith Brothers if current negotiations go well.

Senior partner David Grenier yesterday declined any official comment. But it is now clear, after discussing merger plans with several potential partners, Scott Goff would prefer a Smith Brothers deal.

Smith Brothers and merchant bankers N. M. Rothschild are already partners in the City revolution. With Rothschild fighting shy of taking a direct stake in a broker itself, it is left to Smith Brothers to provide the link that means extra negotiations to win Stock Exchange approval, hence a final deal seems still to be a little way off yet.

Engineers seek tax switches

PRIORITY should be given to the removal of tax burdens on industry before further reductions in personal or consumer taxes, the Engineering Employers' Federation tells Mr Law, so, Chancellor, in Budget submissions released today.

The 5,000-company federation wants Mr Lawson to alter the corporation tax changes announced in this year's Budget and avoid any "damaging and disruptive" extra taxes on pension schemes.

The corporation tax reforms place a heavier burden on companies which invest in capital equipment, the federation argues.

Canada opens door to foreign investors

By ERIC DOWD in Toronto

BUSINESS leaders in North America have reacted enthusiastically to the Canadian Conservative Government's decision, substantially relaxing restrictions on foreign investment which had existed since 1974.

The Canadian Manufacturers Association said the new rules will "clear away some of the questions people outside Canada have had about investing in this country." The United States State Department said it is "pleased" and the United States Chamber of Commerce said it could not imagine the changed rules deterring anyone seriously considering investing in Canada.

The restrictions, imposed by the former Liberal government, had been a constant irritation to foreigners considering investing — over the years numerous British Government spokesmen and business leaders had called them a barrier and disincentive to investment.

The Conservative government, elected in September and headed by Prime Minister Brian Mulroney, is generally more pro-business than its predecessor, but also has the spur that it is anxious to have investment from abroad to step up economic growth and reduce 11 p.c. unemployment.

The government has scrapped the Foreign Investment Review Agency, which screened all proposals to invest here, replacing it with a body called Investment Canada which is charged also with encouraging foreign in-

vestment and providing information and advice to foreigners considering investment.

Foreigners considering investing in Canada will have to notify the new agency but it will not screen any investments setting up new ventures except where they appear "sensitive to Canada's cultural heritage or national identity." The Government has not yet fully defined what there are but said examples would include book and film production.

Planned takeovers will be screened only if the Canadian company involved has assets of C\$5 million or more — although, again, those to take over companies will be screened if the area involved is culturally sensitive.

Indirect takeovers, in which a foreigner seeks to take over the Canadian subsidiary of a multi-national corporation, will be screened generally only if the assets of the Canadian branch are more than C\$50 million. An exception will be where the Canadian subsidiary's assets represent more than half the value of the international transaction and are more than C\$5 million.

The new agency will approve a proposal if it screens in future if it judges it to be of "net benefit to Canada which the Government considers as the benefit outweighing the costs."

The previous requirement had been that a proposed investment must bring "significant benefit" to Canada.

Freezer centres increase share

THE specialist freezer centre groups, dominated by Bejam, have increased their share of the frozen-foods market and should continue to win an increasing proportion of sales.

According to a report by Key Note Publications the freezer centre share of the market has grown from 21 p.c. in 1980 to 28 p.c. this year which will be a total spend on frozen foods of more than £2 billion.

Although there are around 750 centres in Britain with Bejam accounting for just over 200, Argill's Cordon Bleu has

MORE CITY—PAGE 18

about 120 and Iceland, which recently went public, has some 80. Sainsbury's has 22.

The remaining 73 p.c. of the market is accounted for primarily by the major supermarket chains, leaving the independent grocer's share at around 6 p.c.

An important factor for the growth of frozen food sales lies in the home ownership of freezers. Starting at almost nil in 1970 the proportion of households with freezers has now grown to two-thirds and no penetration should be reached by the end of the decade.

The report suggests that one way forward for the centres is to go slightly up-market and stock a much wider range of frozen foods than the supermarket chains.

It adds that the growth in popularity of microwave ovens, which enable frozen food to be defrosted very quickly, could bring further benefits to freezer centres.

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SCOTTISH UNIT MANAGERS

صندوق الدخل

Defence budget costs go over the top

AS long as the Government continues to push at clearly marked minefields with all the enthusiasm of an Iranian revolutionary guard seeking martyrdom, there seems to be no hope of avoiding the coming crisis over defence spending. It is doubtful whether any public expenditure issue which the Government will face during this Parliament has the potential to cause it more damage and embarrassment than defence.

In a sense, the problem is the immemorial one of Britain's reluctance to match its defence commitments to its willingness or ability to pay. The origins of our current difficulties are, however, fairly recent and can be quickly sketched.

When Mrs Thatcher's Government entered office in 1979, it specifically excluded defence from its planned spending cuts. The 1978 pledge to the previous Labour Government to increase defence spending by 3 p.c. a year in real terms was reaffirmed, undertakings to improve service pay were honoured and the decision was taken to acquire at considerable expense a next-generation strategic deterrent in the form of Trident.

After less than two years it had become apparent to the Government that even with the additional resources which the Ministry of Defence was receiving it would not be able to make the books balance without some trimming.

The result was the 1981 defence review which sought savings by reducing the size of the surface fleet. Unfortunately for the Government's hopes of getting defence spending under control, the Falklands War intervened before the cuts could be implemented. In the aftermath of the war, the Ministry of Defence policy and the reinvigorated navy lobby combined to ensure that they never were.

At the same time, the projected costs of the Trident programme began to rise steeply because of the decision to purchase the much more expensive SS missile in the interests of "comparability" with the Americans and the dramatic appreciation of the dollar against the pound.

There the Government to maintain the Nato 3 p.c. commitment indefinitely, the Ministry of Defence would have little or no slack in its budget. Desirable investment in improving conventional defence by acquiring weapons incorporating the "emerging technologies" would largely have to be foregone.

If fact, the financial outlook is very much grimmer than even this implies. Earlier this year, under mounting pressure from the Treasury, it was decided that defence could no longer graze an increasing share of resources which had to be re-

ECONOMIC COMMENTARY



By Matthew Symonds

main stable in real terms if the Government's goal of seeing public spending decline as a proportion of GDP was to be realised.

Under the new defence estimates, the MoD will get £18.1 billion next year (2 p.c. real growth, a 4 p.c. inflation allowance) and £18.7 billion the following year (0.5 p.c. real growth, an inflation allowance of 3 p.c.). In the years after that, the intention is to hold defence spending level in real terms.

In order to assess the severity of the volume squeeze which these figures imply, it is necessary to make an estimate of the resources which would have been required to fund the forward defence programme fully. According to calculations made by defence economist David Greenwood (in Public Expenditure Policy 1984-85, edited by Paul Cockle, published by Macmillan), the funding gap "will average 6 p.c. inflation for pay and pensions and 9 p.c. for equipment, resulting in 7.5 p.c. yearly rise in overall defence costs, is too pessimistic. On the basis of past experience, however, it is certainly not a ridiculous projection.

Mr Heseltine, the Defence Secretary, claims that with improved housekeeping there need be no funding problem. He argues that by eliminating bureaucratic waste, rationalising research and development and improving procurement and production procedures, the money will stretch. Either the extent of mismanagement at the MoD is, and has been for years, on a truly monumental scale or Mr Heseltine is whitewashing the wind and hoping that he will be in a different job before any-

thing really painful must be done. And painful it will be. Unless the Treasury throws in the towel (any bets?), Mr Heseltine or his unlikely successor may have to choose between cancelling Trident after considerable sums have been spent on the project, hutching the surface fleet with far greater savagery than Mr Nott ever contemplated, or unilaterally reducing the strength of our ground and tactical air forces in Europe to levels which might imperil both the military and political cohesion of Nato.

There is an alternative which, although still appalling, could forestall this sort of crisis. The first step would be to announce that the cost escalation of Trident (from under £5 billion in 1979 to nearly £12 billion in current prices) has made it essential to reconsider the programme.

After a decent interval it could be announced that the Polaris submarines were last in better than had been anticipated and would remain creditable into the late 1990s by which time a more affordable deterrent than Trident, based on second-generation cruise missiles, would have been developed.

The second step would be to move from Fortress Falklands to minimum deterrence in the South Atlantic. Such a development would be entirely consistent with the exacting standards of the Argentine which nobody seriously believes will ever again try to seize the islands by force and would also end a gross distortion in the defence budget. It cannot be sensible to spend nine-fifths as much defending the Falklands as we do the United Kingdom itself.

Cancelling Trident and seemingly lowering our guard in the Falklands would be extremely difficult political decisions for this Government to take. If it was handled properly, however, the Government would have little difficulty in persuading its supporters in Parliament that the country that it was acting rationally, especially when the consequences of inertia are likely to be locally worse.

A BRIEF parting shot in the direction of the Conservative MPs who rebelled against Sir Keith Joseph's attempt to cut the subsidy which the relatively poor with limited job opportunities pay to help the children of the wealthy to obtain a competitive advantage over their own. This was not a "victory for Parliament." It was a triumph for an articulate and privileged special interest group. It is not time to practice pork-barrel politics. It is another actually to boast about it.

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valued the shares on 350 times earnings.

The year end period is conventionally a good one for the Japanese stock market. Share prices have risen between December and January 28 times in the last 25 years. At the one Japanese in five is an investor, and a flutter on the stock market is one of the traditional ways of spending half yearly bonuses, which are particularly large this year.

Beyond that most investment advisers are a little chary about forecasting further sustained gains in share prices. The Japanese economy is growing strongly in the fourth quarter, according to MITI, after a rather sluggish start to the year and the Economic Planning Agency is estimating private capital investment in the current fiscal year rising by more than 10 p.c. for the first time in four years.

But most forecasts are still anticipating a gradual slowdown next year and Nomura Research Institute is expecting corporate profit growth to slow down from one on and stabilise in the first half of fiscal 1985, beginning next April.

Overseas investors were net sellers of Japanese stocks in the early part of 1984 when the dollar was the obvious investment play, and even now they are small net sellers.

But with the yen well placed to gain from any dollar weakness and the Japanese economy arguably still the most resilient of the major industrial economies most advisers are confident about the Japanese market over a period of 18 months to two years ahead. There is certainly no shortage of specialist unit trusts for the United Kingdom small investor, while Peter Pleydell-Bouverie of Grosvenor Grant likes Pitzchi and Fujitsu as solid performers and Tna Nemro, an oil refining company diversifying into new materials under new management, as a stock likely to benefit from a strong yen and any further falls in crude oil prices.

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Oceonics coming to the surface

INSTITUTIONS were cock-a-hoop when they were able to take part in a placing of new shares in Oceonics Group as it moved from the unlisted securities market to a full quotation just over a year ago. Now they are not so sure.

Oceonics shares were placed at 285p, and the market price immediately jumped to 365p. But from that point on the shares have slipped and slid, and on Friday they were quoted at 150p.

The reason is that virtually from the moment it came up to the "senior" stock market, Oceonics has seen its margins under pressure as work in the subsea survey business became more scarce and the various operators scrapped over the work available.

A year ago, the company disclosed that profits to September 1983 had fallen back from £2.98 million to £2.14 million. In the following six months, profits were down again so far the full year to March 1984 there was a £2.8 million decline to £5.2 million, before tax.

This year, however, the market has been immuring gradually, although margins are still nowhere near the level seen in the boom years of 1982 and early 1983. The company is hopeful that this recovery will continue and accelerate next year.

Meanwhile, Oceonics has diversified away from its underwater origins, and is now into more land based survey and defence, communications and testing equipment. It did not exactly win rounds of accolade from the City establishment for making the new acquisitions while its original business was having trouble, but this year the wisdom of that policy should begin to show.

Interim results are due soon, and I expect a figure in the region of £2.6 million before tax to be disclosed.

Over the full year, market forecasters are beginning to edge up from about £4 million to £4.6 million, of which £2.1 million is likely to come from the marine side and the remainder from other activities.

The marine side will always be volatile, following the ups and downs of the North Sea and other offshore oil markets. On the equipment Oceonics has available for hire, turnover

from that division could hit £40 million which, if margins returned to their old 20 p.c., would generate £8 million of annual profit — but that's just a theoretical calculation. If and when it happens is anyone's guess.

Long term readers of this column will know that I have been keen on the shares in the past, and while I am not expecting any fireworks when the interim results are announced, they should firmly underpin the current level.

Seekers after excitement should look elsewhere, but provided there is an optimistic note to the interim report, investors should stay put.

This Process for professionals

THE POST-Telecom issue floodgates have opened with the offer for sale this week of 16 million shares in Process Systems, a United States company which has chosen to make

Ladbroke's American turf

LADBROKE Group's share price is back on the upward path and looks like staying that way. The company has just gained strategic foothold in United States horseracing — a foothold which could offer all kinds of opportunities for growth.

Ladbroke has just agreed the terms for the 100 p.c. purchase of the Detroit racetrack, the largest in the state of Michigan. Approval has already been given by the racing authorities and fixtures have been arranged for the 1985 season.

Full details of this deal will be revealed within the next four to five weeks and depending on the price paid it seems likely to prove a major step forward for the company.

The major significance of the move is not just that Ladbroke's has established an important presence in U.S. horseracing but that it also opens the way for the company to participate in off-course betting which is legalised in only a handful of states, Michigan being one of them.

The operator of an American



its market debut seven thousand miles away from home.

The first question that needs to be asked, then, is why London and not New York? The answer is that London is still a softer touch so far as the regulations are concerned. In New York, the authorities demand much more disclosure of information, and also publication of quarterly profits statements.

That latter requirement could prove particularly awkward for Process systems, for although it is forecasting a sharp increase in profits from \$1.5 million to \$2.0 million after tax for the year to June 1985, the first

quarter produced only a "marginal" profit.

There were special reasons for that, not least being investment in staff and premises in anticipation of a substantial increase in sales for the rest of the year.

Process Systems manufactures and sells a limited range of electronic items used by the electricity supply industry. They are used to monitor and measure demand, recording information which can be transmitted back to the utility to help in plan and regulate its generating output.

Process has a high market penetration with its products, which have been through a long evaluation period before being accepted by the highly conservative supply industry.

Seeking better ways to spread the load is a much more cost effective way of selling more electricity than investing in extra generating capacity, especially since only about two-thirds of the power generated is actually sold.

For that reason, Process has

the opportunity of strong growth, always assuming it can maintain its technological lead. That, does not, however, automatically put the shares into the "buy at any price" category. The issue price of 82p is already a good deal higher than the 75 cents at which institutions subscribed for shares only five months ago, and represents 20-1 times increased earnings based on Friday's exchange rate.

The rating is critically dependent on the exchange rate, and if sterling strengthens against the dollar, earnings will fall when expressed against a London share price. Since the historic price-earnings ratio is already 29 times, the risk is a real one.

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One trust reaps Currys reward

SHAREHOLDERS in Dixon's Group were not the only ones pleased that the long drawn out battle for control of Currys Group ended in a Dixon's win. Transcontinental Services was also into Currys' shares and thus, secures a useful profit on the deal.

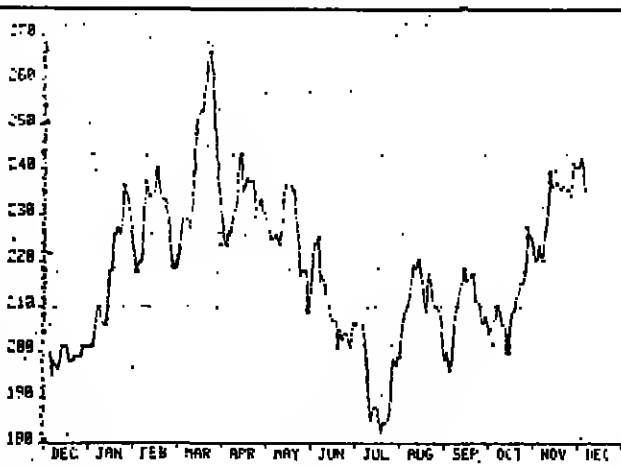
Transcontinental returned to the stock market last month after a long lay-off while it disposed of its trading businesses to become a financial trust specialising in taking large positions in shares in the hope of capital gain.

In the short time since it returned it has not only done its deal in Currys' shares but also taken over a financial trust, Telecom and acquired a 14.9 p.c. stake in British American and General Trust.

It is now building up a substantial stake, with others, in a so far unnamed United States company where it hopes to participate in future takeover moves.

Transcontinental's shares, however, have slipped back to 198p after the enthusiasm which drove them to 212p when they returned from suspension.

Given that there is an obligation on the company to buy out any dissatisfied shareholders at asset value in a year's time — and assets per share are probably now around 700p — there seems some potential reward than risk at the current price.



Source: Datastream

race track is able to run all the horses but more important he is also free to televise race meetings from that track to another site where he can also accept bets.

Ladbroke's previous attempt to break into this market fell through in March 1984 when the company withdrew from the planned purchase of the Turf Paradise course in Arizona.

another state where off course betting is legalised.

The share price which had just climbed to a peak of 267p fell quickly away with the decline accelerated by the announcement of a rights issue. In May, after touching a low of 182p in July the price has moved back up to 240p and should gallop past its previous high when the latest deal is fully appreciated.

STOCK MARKETS OVERSEAS

By Clifford German

Growth the sustaining diet of Tokyo bulls

THE Tokyo stock market's Nikkei Dow index fell nearly 100 points on Friday, largely as a result of President Reagan's plans to try and tackle the United States deficit at a time when the American economy is already slowing down.

The reaction is a measure of how well Japanese stock industries have done over the past two years. But it is also necessary to remember that both the Tokyo equity indices reached new all time peaks in the last week.

The rise in share prices over the past months has in fact been highly selective. Many of the Japanese blue chip companies whose reputation has been based on quality products, rapid growth and successful export performance, have stood still.

The winners have been made by second line and speculative stocks, and by the financial sector, especially the banks.

The commercial banking sector has risen particularly strongly this year, both before and after mid-year share repurchase programmes, and Sumitomo Bank has risen to more than 1,600 yen since January. Shares in nine big banks

also become eligible for margin trading from today which could give them a further boost.

The Japanese stock market is still heavily dependent on growth. Average share prices are to the 25 to 30 times earnings range, more than double average British and American ratios. The range to Japan itself is extreme.

Big well-managed companies in the industrial electronics sector such as Fujitsu and Hitachi have been producing above average growth rates and profit records and are not very dependent on the consumer electronics sector which is most vulnerable to a slowdown in the consumer boom in the United States. But Hitachi sells on only 13 to 14 times earnings and Fujitsu on 18 to 19 times.

At the other end of the scale price-earnings ratios of 200 to 500 are not uncommon especially among pharmaceutical companies believed to be working on "concept" products which could be worth a fortune — five years hence.

Mochida Pharmaceutical, for example, estimated pre-tax profits down 19 p.c. in the current year, but on the strength of a tie up with a biotechnology laboratory, investors recently

valued the shares on 350 times earnings.

The year end period is conventionally a good one for the Japanese stock market. Share prices have risen between December and January 28 times in the last 25 years. At the one Japanese in five is an investor, and a flutter on the stock market is one of the traditional ways of spending half yearly bonuses, which are particularly large this year.

Beyond that most investment advisers are a little chary about forecasting further sustained gains in share prices. The Japanese economy is growing strongly in the fourth quarter, according to MITI, after a rather sluggish start to the year and the Economic Planning Agency is estimating private capital investment in the current fiscal year rising by more than 10 p.c. for the first time in four years.

But most forecasts are still anticipating a gradual slowdown next year and Nomura Research Institute is expecting corporate profit growth to slow down from one on and stabilise in the first half of fiscal 1985, beginning next April.

Overseas investors were net sellers of Japanese stocks in the early part of 1984 when the dollar was the obvious investment play, and even now they are small net sellers.

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Year to 30th September

	1984	1983
Turnover	£8.85m	£7.20m
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Earnings per share	11.0p	7.9p
Dividend per share	5.0p	3.5p

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Patrick Minford argues that miners who remain on strike are effectively creating an environment which will eventually force other unions into accepting realistic wage deals to preserve job security.

Prospects pivot on the labour outlook

THE prospects for the British economy are dependent on the outcome of the miners' strike.

The hope must now be that many miners will accept economic logic and go back to work, and that there will be no concessions on the principle that uneconomic pits must be closed as soon as possible within an orderly programme of transition.

Those miners who remain on strike, perhaps for much of next year, will then be faced by the closing down of the pits at which they work, so accelerating the closure programme and causing themselves greater transitional hardship than necessary.

If this happens, other unions will take note of the new environment. So far they have continued largely to act as if they had not experienced a sharp decline in membership (by more than 5 p.c. of the labour force in four years) and as if there had not been three Acts passed radically cutting back their immunities from the ordinary processes of the civil law.

They have continued to push for real wages and destroy jobs. But with the defeat of the miners, they would no longer be able to ignore the realities, or hope that they could be reversed by a direct action of the U.M.W. type. We should then see a union wage agreement truly designed to ensure job security instead of job destruction, real wage increases, such agreements will also be in line with what union members appear (naturally enough) to be demanding.

Much is therefore at stake. The Government must win this strike and be seen very clearly to win, however long it takes. Yet in other ways progress has been disappointing. The absence of any Cabinet strategy for reducing public expenditure has been again highlighted in the autumn budget, which by spending ministers defying their corner.

One plea has been that public spending on construction (or infrastructure) is good for employment. This is false, based on old Keynesian thinking which this Cabinet at least is supposed to have seen through.

The way to understand the problem of job-creation is to imagine first spending £100 million on construction and financing it (at a given PSBR) by raising "neutral" taxation (i.e. taxes with no effect on supply, which only reduce private spending). What then happens, once any short-term demand effects (probably negligible and

hard to estimate anyway) are out of the way, is that expenditure now has switched from its "average" composition to "wages construction. If construction uses more labour per pound spent, employment will rise.

Another effect is on the balance of payments: more or fewer imports will be generated by the different import content of construction and in the medium term this will require some downward movement in the United Kingdom costs (as so wages) to generate more exports. This downward movement in wages will reduce incentives to work and so reduce employment. (In the long run this effect is probably negligible). It so happens that because construction is more capital-intensive than the average, the net effect on jobs is negative.

Compare now spending money on tax cuts, the Chancellor's stated priority. The tax cuts have no effect on labour-intensive because they will be spent in much the same way as the "neutral" taxes would finance them. But they do have an effect on incentives to supply and demand labour. Rises in tax thresholds make it more worthwhile for unemployed people to take lower-paid jobs than before.

This is an improvement of the "unemployment trap", and a rise in labour supply at given wages. Cuts in firms' National Insurance contributions lower labour costs and so cause an increase in labour demand at given wages.

The result is either case is a rise in the supply of output the economy is capable of producing and the number of jobs it is capable of sustaining; the implication is that demand can rise to this level without causing problems and jobs at this level of demand are "real" (i.e. sustainable) jobs.

Against this some know-nothing politicians scoff that "incentives do not matter". But haven't we spent two decades of lives in the belief that destruction of the performance of the British economy, enough to give the lie to such complacency? The evidence is that these incentive effects are powerful. £100 million spent on raising tax thresholds creates 10,000 jobs (as against a net reduction in jobs if spent on capital-intensive infrastructure). That estimate is based on Liverpool research. But if you prefer London School of Economics research, the same money spent on cutting em-

ployers' National Insurance contributions also gives you a similar number of extra jobs.

Politicians must understand these not very complicated results (based on additions to supply) and stop quoting estimates of short-term job-creation (some from reputable bodies who should know better) based on Keynesian demand stimulus which no serious economist any longer regards as a source of sustainable jobs.

This brings us naturally to the Public Sector Borrowing Requirement and monetary policy. The Government has created confidence in its financial integrity; that is a considerable achievement which underlies its success in bringing inflation down. That confidence must be strengthened: money supply growth must go on falling steadily.

The P.S.B.R. does not have to fall so fast, now that it is down to around 2 p.c. of G.D.P. If it is held at about £8 billion for the next three years, it will not endanger confidence or the monetary targets but it will enable tax cuts to come faster and strengthen the supply side of the economy that much sooner.

The Chancellor's target of £12 billion in tax cuts over the next four years is achievable; and we have built it into this forecast.

There is reason to show confidence in the cause of the British economy. The international background is favourable. Interest rates have fallen in the United States and the world recovery looks set to continue, if at a steady and unspectacular pace; money is still tight all over the world (made more so by problem loans and banking failures) but world inflation has fallen and continues to do so as a result, so helping the recovery along. Domestically, monetary conditions are under firm control and spending is buoyant — both consumption and investment.

The UK's prospects nevertheless remain pivoted on the labour outlook. On the basis that realism truly does return to the U.K. after its decade and a half of heady and dangerous power, we remain cautiously optimistic about a slow decline in unemployment. People must beware of extrapolating unpleasant situations or trends on to their impatience with the pace at which improvements can be shown to themselves.

Patrick Minford is Professor of Applied Economics at the University of Liverpool.

THE LIVERPOOL FORECAST

	1984	1985	1986	1987	1988	1989
GDP Growth p.c. (expenditure estimate)	2.4	3.5	3.4	2.8	4.2	3.5
Inflation—p.c.	4.5	3.1	2.2	2.1	1.3	1.2
Unemployment (millions excluding school leavers)	3.1	3.1	3.0	2.8	2.6	2.2
Exchange Rate (trade-weighted average)	77.6	77.4	77.7	78.7	79.0	79.0
Treasury Bill Rate p.c.	9.7	7.9	7.1	6.6	6.4	5.2
Current Balance (£ billions)	-0.4	0.5	3.3	5.0	4.5	4.3

Details of the Liverpool Forecast are given in Quarterly Economic Bulletin, available on subscription from Liverpool Macroeconomic Research, P.O. Box 147, Liverpool L69 3BX.

THIS WEEK'S DIVIDENDS

TODAY: Final: Blyvooruitzicht Gold Mining, City Site East, Debon Park, Dublin, Durban Roadport, Deep, East Rand Proprietary Mines, Greenall Whitley, LPA Inds.	TUESDAY: Final: Frederick Cooper, Durnfontein Consolidated, Driefontein Consolidated, Inn Leisure, Klond Gold Mining, Lake McCord, Libanon Gold Mining, McCordquade, McLeod Russell, Plaxton IGB, Smith & Nephew Assoc. Cos, Venterspot Gold Mining, Wetherhampton & Dudley Breweries.	THURSDAY: Final: A.E. A. Lee & Sons, Cammer, Carr's Milling Inds, Sidlaw Grp, Vaux Breweries.
Interims: Baker Perkins, Nathan Brown Invests, Cohen 'A', Crown House, Higgs Robinson Grp, London & Overseas, Marling Inds, Norcross, Norton Opas, Allied Preedy, Property Holdings & Inv. Trst, Sberation Securities.	Interims: Alphameric, Assoc. British Eng, Berkeley Grp, DGE Technology Corp, Occlusa Mining, Imperial Continental Gas Assoc, Meyer Intl, Parkfield Grp, Smith Whitworth, Wight Collins, Rutherford Scot.	Interims: Arlington Motor Hides British Specialties Grp, British Building & Eng, Gutterfield Harvey, Fuller Smith & Turner, Greene King & Sons, Greycoat City Offices, Haslemere Grp, Holdings, London Merchant Securities, Mitchell Somers, A. Monk, RFD Grp, Smith Bros, Stoddard, Thorpe Grp, Unigate.
WEDNESDAY: Final: Associated Paper Inds, Gaggeridge Brick, Charles Baynes, Burns Anderson, Dischler, NBS Newsagents, Stakis Tate & Lyle, Interims: Anderson Strathclyde, Archimedes Invest Trst, Grainger & Co, H. P. Guimer, Chursted.	Interims: Hardy & Hanson, Utd Spring & Steel Grp, John Williams of Cardiff, Interim: John Bonit & Sons, Wm Cook & Sons, Druck Grp, Initial, Nescan Invests, Phoenix Timber Grp, Tex Abrasives, Walsall (JW).	

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THIS WEEK IN CITY MARKETS

Hopes of sweetener from Tate & Lyle

TATE & LYLE's Mr Cubic symbol seems particularly apt at present. In the one hand he carries a sword, representing the revitalised and acquisition-minded strategy of the company, and in the other a shield to defend itself from the possible threat of a takeover bid.

The Tate & Lyle share price has, since its abortive £524 million October bid for Brooke Bond, been signalling some speculative activity.

Market rumours indicated an American bid, although Dalgely, the British food and agricultural group, has also been talked of as a likely suitor.

Apart from this, Tate itself has over the past few years been slimming down and reorganising its operations, culminating with the sale of its loss-making Zymaize activities in Canada last year. The Zymaize subsidiary was owned by Tate's

50.5 p.c. held major Canadian subsidiary Redpath Industries. The benefits of the Zymaize sale were to evidence only last week when Redpath lifted its full year pre-tax profits from £24.6 million (£15.4 million) to £58.8 million (£23.9 million)—a good augury for Tate.

For the full year pre-tax profits are anticipated to be in the region of £65 million (£57.5 million) and as already fore-cast at the time of the Brooke Bond bid, a "sweetener" in the form of a 12p (11.5p) final dividend for an 18.5p (16p) total.

Pilkington Brothers, Britain's leading glass maker, reports its interim results on Wednesday. The group staged a strong recovery in 1983-84 with pre-tax profits forgoing ahead from £49.9 million to £88.5 million.

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The Board of Governors of N.V. Gemeenschappelijk Bezit van Aandelen Philips' Gloeilampenfabrieken (Philips' Lamps Holding) has declared an interim dividend for the financial year 1984 amounting to Hfl. 0.80 per Ordinary Share of Hfl. 10 — nominal value.

The interim dividend will become payable on 3rd January 1985. Payment of the net amount of this dividend on UK — CF certificates will be made by the Company's paying agent, Hill Samuel & Co. Limited, 45 Beech Street, London, EC2P 2LX to the UK — CF depositaries in accordance with their positions in the books of CF — Amsterdam at the close of business on 7th December, 1984.

Holders of UK — CF certificates are reminded that such payment is subject to deduction of 25 per cent Netherlands Withholding Tax. This 25 per cent may, however, be reduced to 15 per cent when payment is made to residents of the United Kingdom or to residents of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Western Germany, Ireland, Japan, Luxembourg, Netherlands Antilles, New Zealand, Norway, South Africa, Spain, Sweden and the United States of America, who deliver through the UK — CF depositary the appropriate Tax Affidavits to the company's agent Hill Samuel & Co. Limited. The Netherlands Withholding Tax may be reduced to 20 per cent when payment is made to residents of Indonesia who deliver the appropriate Tax Affidavit in the above-mentioned way.

Payment of the net dividend amount of dividend will be made by Hill Samuel & Co. Limited, in sterling at the rate of exchange ruling on 7th January, 1985, unless payment in guilders on an account with a bank in the Netherlands is requested no later than 16th December, 1984.

Eindhoven 10th December 1984
The Board of Governors.

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Every year more than 300 million people go through our stations. In a year they will wear millions of pairs of shoes, eat tons of food, buy clothing worth hundreds and thousands of pounds and read millions of books. We are the only company in the world who can bring business that will add to and complement the range of goods and services they buy. Our buying arrangements are flexible and can be changed to suit you. We usually look for business opportunities in the retail sector. Contact us today for our full range of services and see how we can help you.

Property Board

This advertisement does not and is not intended to form the basis of any offer of the share capital of, or the undertaking or assets of, Yarrow Shipbuilders Limited.

Yarrow Shipbuilders Limited

(A subsidiary of British Shipbuilders)

Lazard Brothers have been requested by British Shipbuilders to find a purchaser for the whole of the share capital of Yarrow Shipbuilders Limited.

Yarrow Shipbuilders Limited, Scotstoun, Glasgow, is a leading shipbuilder specialising in the construction of warships and has substantial design capabilities. Profit before tax for the year ended 31st March, 1984 amounted to £11.5 million (1983—£8.7 million).

Lazard Brothers will, at their discretion, make available further information to interested parties. It should be noted, however, that under the Aircraft and Shipbuilding Industries Act 1977 the consent of the Secretary of State is required before British Shipbuilders disposes of any interest in any of its wholly-owned subsidiaries.

Enquiries:
E W Dawney
R N Paterson

Telephone: 01-588 2721

Lazard Brothers & Co., Limited,
21, Moorfields,
London EC2P 2HT

*Initial offers should be submitted by 21 January, 1985.

This advertisement does not and is not intended to form the basis of any offer of the share capital of, or the undertaking or assets of, Hall Russell Limited.

Hall Russell Limited

(A subsidiary of British Shipbuilders)

We have been requested by British Shipbuilders to find a purchaser for the whole of the share capital of Hall Russell Limited.

Hall Russell Limited is an Aberdeen based shipbuilder capable of designing and building specialised vessels, including smaller warships. Profit before taxation for the year ended 31st March, 1984 amounted to £741,000 (1983—£766,000).

Lazard Brothers will, at their discretion, make available further information to interested parties. It should be noted, however, that under the Aircraft and Shipbuilding Industries Act 1977 the consent of the Secretary of State is required before British Shipbuilders disposes of any interest in any of its wholly-owned subsidiaries.

Enquiries:
E W Dawney
R N Paterson

Telephone: 01-588 2721

Lazard Brothers & Co., Limited,
21, Moorfields,
London EC2P 2HT

*Initial offers should be submitted by 21 January, 1985.

THIS ADVERTISEMENT IS ISSUED IN COMPLIANCE WITH THE REQUIREMENTS OF THE COUNCIL OF THE STOCK EXCHANGE. IT DOES NOT CONSTITUTE AN INVITATION TO ANY PERSON TO SUBSCRIBE FOR OR TO PURCHASE ANY SHARES.



CANDOVER INVESTMENTS plc

(Incorporated in England and Wales under the Companies Acts 1948 to 1976 — No. 1512178)

Authorised	Issued and now being issued, fully paid
£2,385,000	£1,788,750
	In Ordinary Shares of 25p each

Placing by
Cazenove & Co.

of 1,788,750 Ordinary Shares of 25p each
at 160p per share

Application has been made to the Council of The Stock Exchange for the whole of the share capital of Candover Investments plc, issued and to be issued, to be admitted to the Official List. Particulars relating to Candover Investments plc are available in the Extra Statistical Services and copies of particulars and of the Prospectus may be obtained during normal business hours on any weekday (Saturdays and bank holidays excepted) up to and including 27th December, 1984 from:

Cazenove & Co.,
12, Tokenhouse Yard, London, EC2.

MONEY & EXCHANGES

THE POUND ABROAD	FORWARD RATES
1st class close 27.00	1st class close 27.00
2nd class close 26.50	2nd class close 26.50
3rd class close 26.00	3rd class close 26.00
4th class close 25.50	4th class close 25.50
5th class close 25.00	5th class close 25.00
6th class close 24.50	6th class close 24.50
7th class close 24.00	7th class close 24.00
8th class close 23.50	8th class close 23.50
9th class close 23.00	9th class close 23.00
10th class close 22.50	10th class close 22.50
11th class close 22.00	11th class close 22.00
12th class close 21.50	12th class close 21.50
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14th class close 20.50	14th class close 20.50
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28th class close 13.50	28th class close 13.50
29th class close 13.00	29th class close 13.00
30th class close 12.50	30th class close 12.50
31st class close 12.00	31st class close 12.00
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33rd class close 11.00	33rd class close 11.00
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35th class close 10.00	35th class close 10.00
36th class close 9.50	36th class close 9.50
37th class close 9.00	37th class close 9.00
38th class close 8.50	38th class close 8.50
39th class close 8.00	39th class close 8.00
40th class close 7.50	40th class close 7.50
41st class close 7.00	41st class close 7.00
42nd class close 6.50	42nd class close 6.50
43rd class close 6.00	43rd class close 6.00
44th class close 5.50	44th class close 5.50
45th class close 5.00	45th class close 5.00
46th class close 4.50	46th class close 4.50
47th class close 4.00	47th class close 4.00
48th class close 3.50	48th class close 3.50
49th class close 3.00	49th class close 3.00
50th class close 2.50	50th class close 2.50
51st class close 2.00	51st class close 2.00
52nd class close 1.50	52nd class close 1.50
53rd class close 1.00	53rd class close 1.00
54th class close 0.50	54th class close 0.50
55th class close 0.00	55th class close 0.00

Effective Sterling Exchange Rate Index
1974-75 (1974-75) 100.00
1975-76 (1975-76) 100.00
1976-77 (1976-77) 100.00
1977-78 (1977-78) 100.00
1978-79 (1978-79) 100.00
1979-80 (1979-80) 100.00
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2010-11 (2010-11) 100.00
2011-12 (2011-12) 100.00
2012-13 (2012-13) 100.00
2013-14 (2013-14) 100.00
2014-15 (2014-15) 100.00
2015-16 (2015-16) 100.00
2016-17 (2016-17) 100.00
2017-18 (2017-18) 100.00
2018-19 (2018-19) 100.00
2019-20 (2019-20) 100.00
2020-21 (2020-21) 100.00
2021-22 (2021-22) 100.00
2022-23

Copies of this document having attached thereto the documents specified herein, have been delivered to the Registrar of Companies for registration.

Application has been made to the Council of The Stock Exchange for all the shares of common stock of Process Systems, Inc., issued and to be issued, to be admitted to the Official List.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Process Systems, Inc. The Directors of Process Systems, Inc., have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or opinion. All the Directors of Process Systems, Inc. accept responsibility accordingly.



Process Systems, Inc.

(Incorporated with limited liability under the laws of the State of Georgia, United States of America)

OFFER FOR SALE by J. HENRY SCHRODER WAGG & CO. LIMITED

16,000,000 shares of common stock of par value US\$0.025 each at 92p per share payable in full on application

The Application Lists for the shares now being offered for sale will open at 10 a.m. on Thursday, 13th December, 1984 and may be closed at any time thereafter. The procedure for application and the Application Form are set out at the end of this document. It is expected that dealings in the whole of the issued share capital of the Company will commence on 20th December, 1984.

SUMMARY

The information below should be read in conjunction with the full text of this document, from which it is derived.

BUSINESS

The Company, a high technology company, based in Charlotte, North Carolina, US, designs software for microelectronic control and recording equipment, which it assembles and distributes to the US electricity supply industry.

For its major product, the solid state recorder, the Company has established itself as the market leader, accounting for an estimated 60 per cent. of units sold to US electrical utilities in the year to 30th June, 1984. In that year, the Company's second largest contributor to sales was its electronic totalliser; it had an estimated 90 per cent. share of this market. The Directors estimate that only some 8 per cent. of the potential market for solid state recorders has been satisfied to date. The Company is now poised to benefit significantly from a lengthy period of evaluation of its solid state recorders by a number of major US electrical utilities.

The Company has a substantial commitment to research and development, amounting to 11 per cent. of sales in the year to 30th June, 1984, to enhance existing products and to provide new products for the future. One such product, the ProData system, is expected to become the second largest contributor to sales in the current year. A time of use meter and a load management system are at advanced stages of development, with material sales of the time of use meter expected in the year to 30th June, 1985.

As shown below, the Company's sales have grown rapidly in the five years to 30th June, 1984. The Company has expanded to meet this demand and the number of employees now totals 89, as compared with 66 at 30th June, 1984 and 39 a year earlier. Furthermore, sales per employee increased from \$105,000 in the year to 30th June, 1983 to \$159,000 in the year to 30th June, 1984.

TRADING RECORD AND FORECAST

Net sales, net income after taxes and earnings per share of the Company for the five years ended 30th June, 1984 were as follows:

	Year ended 30th June				
	1980	1981	1982	1983	1984
	\$'000	\$'000	\$'000	\$'000	\$'000
Net sales	819	1,577	2,362	3,718	8,349
Net income after taxes	5	152	379	802	1,303
Earnings per share (cents)	0.03	0.57	1.27	1.95	3.81

The Directors forecast that net income after taxes for the year ending 30th June, 1985 will be not less than \$2.9 million, equivalent to 5.6 cents per share, on the basis of which they intend to pay a dividend of 0.25 cents per share.

OFFER FOR SALE STATISTICS

Offer for Sale price per share	92 pence
Market capitalisation at Offer for Sale price	£49.4 million
Price-earnings ratio on forecast earnings per share (Note)	19.8 times
Gross dividend yield based on forecast dividend per share (Note)	0.2 per cent.

Note: An exchange rate of \$1.075:£1 has been used, being the rate ruling at the close of business on 5th December, 1984.

GLOSSARY

Isolator	Device to measure consumption of electricity.
Isolation relay	Device linked to a meter which allows multiple attachments of monitoring equipment.
Totalliser	Device for combining the information from a number of separate meters.
Recorder	Device which records the information from a meter or a totalliser.
Load management	A means by which the consumption of electricity can be controlled.
Microprocessor	Silicon based component capable of performing complex electronic functions.
Microelectronics	Incorporating miniaturised electronic components.
Solid state	Electronics incorporating microprocessors.

HISTORY AND DEVELOPMENT OF THE BUSINESS

The Company was incorporated on 1st July, 1969 by Lawson Hamilton and, from its inception, concentrated on the practical application of solid state electronic technology to process control and monitoring in basic industries. The early products were computer-controlled motor matching systems for the textile industry and process control equipment for the chemical industry. These products were technically successful but their servicing requirements proved onerous and the business was not profitable. Consequently, the Company sold that business to Reliance Electric Company (now a division of Extron Corporation) in 1975.

The Company then introduced a line of electrical monitoring and energy management equipment using microelectronic technology. These products were marketed on a nation-wide basis to commerce and industry. The resulting business contacts with US electrical utilities identified a specific market for which the Company was to develop its current systems and products.

In 1978, the Company first introduced microelectronic products designed for direct application to the US electricity supply industry, from which it currently derives almost

all its sales revenues. After initially producing a time of day demand indicator, the Company developed a range of electronic devices comprising isolation relays, totallisers, solid state recorders and related products, which are marketed under the Sentry brand name. The success of these products is reflected in the Company's rate of growth over the last five years and has enabled it to consolidate its marketing and service base with the US electricity supply industry.

In June, 1984, 5.25 million shares were placed with selected UK institutions, raising \$3.6 million net of expenses for the Company. At that time the Directors stated their intention to seek a public market for the Company's shares. The decision to list the shares of the Company in London rather than in the US reflects the Directors' preference to avoid the significant time and expense associated with being a listed company in the US at this stage in the Company's development.

Of the 16 million shares now being offered for sale, 9.6 million are being sold by existing US shareholders. None of the UK institutional shareholders is selling shares in the Offer for Sale. The Directors and the other vendors have stated that it is not their intention to sell any further shares for a period of 12 months.

DIRECTORS, ADVISERS AND BANKERS

DIRECTORS

Lawson Early Hamilton, III
Chairman, President and Chief Executive Officer

Frank Hiram Hoff
Vice President — Sales

William Michael Turner
Vice President — Finance and Operations and Treasurer

Michael David Alembik
Ernest Reed Gaskin

Luther Hartwell Hodges, Jr.

Walter Orr Nisbet, III

Earl Norfleet Phillips, Jr.

all of 8334 Arrowridge Boulevard, Charlotte, North Carolina, 28210, and all being citizens of the US.

Company Secretary and Principal Office

William Michael Turner

8334 Arrowridge Boulevard, Charlotte, North Carolina, 28210.

Issuing House

J. Henry Schroder Waggs & Co. Limited,
100 Cheapside,
London EC2V 6DS.

Auditors and Joint Reporting Accountants
Price Waterhouse,
Certified Public Accountants,
One NCNB Plaza, Suite 3200,
Charlotte, North Carolina, 28280.

Joint Reporting Accountants
Price Waterhouse,
Chartered Accountants,
Southwark Towers, 32 London Bridge Street,
London SE1 9SY.

Solicitors to the Company
Stephenson Harwood,
Saddlers' Hall, Gutter Lane, Cheapside,
London EC2V 6BS.

United States Counsel to the Company
Alembik, Fine & Caliner, P.A.
300 Peachtree Centre, South Tower,
225 Peachtree Street, N.E.,
Atlanta, Georgia, 30303.

Solicitors to the Offer for Sale
Lankiaters & Paines,
Barrington House, 59-67 Gresham Street,
London EC2V 7JA.

United States Counsel to the Offer for Sale
Shearman & Sterling,
St Helen's, 1 Undershaft,
London EC3A 8HX.

Stockbrokers
de Zoete & Sevan,
25 Finsbury Circus,
London EC2M 7EE.

Bankers
First Union National Bank,
First Union Plaza,
Charlotte, North Carolina, 28288.

UK Registrar
National Westminster Bank PLC,
Registrar's Department, P.O. Box 62,
37 Broad Street,
Bristol BS99 7NH.

Receiving Bankers
National Westminster Bank PLC,
New Issues Department,
P.O. Box 79, 2 Princes Street,
London EC2P 2BD.

SHARE CAPITAL

Authorised	Issued and outstanding and to be issued fully paid
100,000,000	53,734,000
Shares of common stock of par value US\$0.025 each	

In addition, the Company has outstanding Stock Options which, if exercised in full, would require the issue of a further 4,400,000 shares.

The shares which are now being offered for sale will rank in full for all dividends and other distributions hereafter declared, made or paid on the issued shares.

INDEBTEDNESS

At the close of business on 23rd November, 1984 the Company had outstanding secured indebtedness in the amount of \$5 million and a guarantee in connection therewith in respect of an Industrial Revenue Bond issued in connection with the purchase and development of new premises at Charlotte, North Carolina.

Save as aforesaid, the Company did not have any loan capital (including term loans) outstanding, or created but unissued, or any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise—

“the Company”
Process Systems, Inc.

“shares”
The shares of common stock of par value US\$0.025 of the Company whether issued and outstanding, in treasury or authorised but unissued.

“the Offer for Sale”
The offer for sale by J. Henry Schroder Wagg & Co. Limited of 16,000,000 shares described in this document.

“new shares”
The 5,500,000 shares being issued by the Company and the 940,000 shares being sold by the Company from treasury which, in each case, are included in those now being offered for sale.

“vendors”
Existing shareholders (other than the Company) who are selling shares which are included in those now being offered for sale.

“vendor shares”
The 9,600,000 shares now being sold by the vendors and which are included in those now being offered for sale.

“Stock Options”
Options to subscribe for shares.

“UK” and “US”
United Kingdom of Great Britain and Northern Ireland and United States of America, respectively.

“\$”
US dollars and cents

This document does not constitute an offer or solicitation to anyone in any jurisdiction outside the UK in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The shares now being offered for sale have not been registered under the Securities Act of 1933, as amended, of the US. Accordingly, such shares may not be offered, sold, renounced or transferred directly or indirectly in the US, its territories and possessions, or Canada (collectively "North America") or to or for the benefit of any person who is a national or resident thereof, the estate of any such person, or any corporation or other entity created or organised in or under the laws of the US, its territories and possessions, or Canada or any political subdivision thereof (collectively "North American Persons") or to any person purchasing such shares for resale, renunciation or transfer in North America or to or for the benefit of any North American Person as part of the distribution of such shares. No holder of such shares may, under any circumstances, as principal or agent, offer, sell, renounce or transfer such shares in North America or to or for the benefit of any North American Person at any time on or before 30th June, 1985. In order to give effect to these restrictions, every applicant for such shares and every other person applying for registration in respect of such shares on or before 30th June, 1985 will be required to make a declaration in the form referred to in paragraph 9 of Appendix III, and the certificates representing such shares will bear a legend referring to such restrictions.

Existing UK shareholders of the Company are being offered preferential application rights under the Offer for Sale for up to 1,600,000 shares. Details of these rights are set out in Procedure for application.

INDUSTRY BACKGROUND

The US electricity supply industry comprises over 200 listed utility companies, 100 federal government-owned projects, 1,700 municipal systems and 900 rural co-operatives. The 150 major listed utility companies account for some 85 per cent. of the electricity sold in the US, and the Company has sold its products to the majority of them.

Under the Public Utility Regulatory Policies Act of 1978 of the US, State Public Service Commissions, which are established to regulate rates in the electricity supply industry, are required to consider and adopt, if appropriate, time of use rates (requiring appropriate metering equipment), seasonal rates and load management techniques for utilities under their respective jurisdictions. Applications from utilities to increase their charges must be supported by survey data covering the consumption pattern of electricity by samples of users. In recent years survey requirements have become significantly more detailed and there has been a demand for more reliable information. Similarly, with the increasing cost of electricity, industrial customers, who generally account for a major proportion of utilities' sales, have also sought more accurate data on consumption, partly to verify billing and partly to monitor their use of electricity.

Process Systems, Inc.

continued

Property and equipment

Property and equipment are recorded at cost. Major renewals and improvements are added to the property accounts at cost, while replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets are expensed as incurred. Gain or loss on retirements or disposals of individual assets is recorded in income or expense. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which are summarized below:

	Estimated useful lives
Production/Testing equipment	3-7 years
Exhibition equipment	3-5 years
Office furniture	6-8 years
Leasehold improvements	4 years
Automobiles	4 years

Net sales of products and services

Product sales and other revenues comprise amounts invoiced to customers in respect of goods and services supplied, net of returns, and allowances. Interest income is also included.

Research and development costs

Research and development costs are charged to expense as incurred.

Income taxes

The Company accounts for depreciation differently for financial reporting purposes than for federal income tax purposes and makes appropriate provision for deferred taxes in recognition of the timing differences. Investment tax credits are accounted for as a reduction of income tax expense in the year the credits are utilized.

STATEMENTS OF OPERATIONS

	1980	1981	1982	1983	1984
Net sales of products and services (Note 2)	618,561	1,876,560	2,361,599	3,718,403	3,948,038
Cost of sales	280,339	598,978	680,196	1,000,878	2,931,311
Research and development expenses	44,286	193,734	342,646	491,699	822,584
Selling, general and administrative expenses	427,244	838,477	783,181	1,098,337	1,737,185
Depreciation	14,589	30,236	67,292	72,321	128,165
Interest expense	67,653	81,394	28,071	16,475	8,945
Income before income taxes	813,933	1,424,679	1,902,398	2,881,106	5,727,060
Provision for income taxes (Note 3)	4,638	151,881	438,241	1,037,295	2,801,948
Income before extraordinary item	3,409	55,833	323,110	602,295	1,502,948
Realization of operating losses carried forward (Note 3)	1,239	58,046	56,131	—	—
Net income	4,638	151,881	379,241	602,295	1,502,948
Retained earnings (accumulated deficit) brought forward	(988,764)	(984,126)	(812,245)	(433,004)	(189,281)
Retained earnings (accumulated deficit) carried forward	(984,126)	(812,245)	(433,004)	(189,281)	1,672,229
Earnings per common share, including common share equivalents (Note 4):					
Income before extraordinary item	0.02	0.38	1.06	1.95	3.81
Realization of operating losses carried forward	0.01	0.21	0.16	—	—
Net income	0.03	0.57	1.22	1.95	3.81

*Adjusted retrospectively for 200 to 1 stock split (Note 5).

BALANCE SHEETS

	1980	1981	1982	1983	1984
Property and equipment at cost less accumulated depreciation (Note 5)	108,771	92,053	214,522	259,130	796,480
Current assets:					
Inventories (Note 6)	232,388	210,619	254,608	944,017	1,083,718
Accounts receivable	338,123	284,581	468,887	721,463	2,832,818
Prepaid expenses	3,744	2,731	7,364	28,248	31,470
Cash and cash equivalents	33,058	109,667	230,263	494,578	3,716,652
Total assets	597,316	696,971	901,632	2,188,529	7,694,652
Liabilities and stockholders' equity:					
Current liabilities:					
Notes payable within one year (Note 7)	214,303	51,808	27,927	20,000	—
Accounts payable	37,652	57,932	114,227	275,391	730,301
Income taxes payable	—	—	30,000	—	—
Accrued expenses and other creditors	69,825	151,151	157,859	230,113	378,105
Total current liabilities	370,880	260,996	390,013	825,474	1,108,406
Notes payable over one year (Note 8)	304,640	228,527	—	18,000	60,000
Deferred income taxes	—	—	—	18,000	60,000
Total liabilities	675,520	490,523	390,013	943,474	1,768,406
Stockholders' equity (Note 9):					
Common stock	655,100	680,100	753,100	957,850	1,144,350
Capital in excess of par value	340,253	340,253	340,253	336,443	3,382,372
Retained earnings (accumulated deficit)	(984,126)	(812,245)	(433,004)	(189,281)	1,672,229
Total stockholders' equity	31,227	208,108	660,349	1,504,912	6,708,271
Total liabilities and stockholders' equity	706,747	698,631	1,050,362	2,448,386	8,476,677

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	1980	1981	1982	1983	1984
Financial resources were provided by:					
Income before extraordinary item	3,409	55,833	323,110	602,295	1,502,948
Add income charges not affecting working capital:					
Capital	14,989	30,208	67,292	72,321	128,165
Deferred income taxes	—	—	—	18,000	60,000
Working capital provided by operations	18,408	136,043	380,262	692,618	1,674,115
Working capital provided by extraordinary item—realization of operating losses	1,239	58,046	56,131	—	—
Proceeds from sale of common stock	135,000	—	12,600	112,950	3,605,029
Proceeds from sale of treasury stock	3,373	—	—	53,600	—
Proceeds from stock options exercised	104,313	25,000	60,000	148,000	188,400
Increases in notes payable over one year	304,640	228,527	—	18,000	60,000
Other	587	(85)	4,302	4,389	21,430
Total	263,310	297,604	524,155	1,264,435	5,408,952
Financial resources were used for:					
Purchase of property and equipment	65,808	124,405	194,623	121,198	689,965
Reduction in notes payable over one year	—	25,113	101,128	128,405	75,000
Purchase of treasury stock	65,808	87,518	348,495	270,003	825,455
Increases in working capital	197,502	119,486	173,700	814,432	4,943,527
Changes in components of working capital:					
Increase (decrease) in current assets:					
Cash and cash equivalents	227,271	76,609	180,536	284,275	3,226,074
Accounts receivable	75,984	(43,625)	124,596	312,598	2,131,331
Inventories	(14,871)	(1,013)	5,183	30,264	3,222
Prepaid expenses	317,810	8,602	294,714	1,286,896	5,496,129
(Increase) decrease in current liabilities:					
Notes payable within one year	(22,812)	182,388	23,981	7,987	90,000
Accounts payable	(37,652)	28,715	(58,280)	(181,734)	(454,340)
Income taxes payable	—	—	(60,000)	(47,000)	(388,670)
Accrued expenses and other current liabilities	(37,669)	(82,226)	(8,705)	(72,257)	(147,982)
Total	(120,106)	108,868	(119,014)	(172,466)	(862,602)
Increases in working capital	197,502	119,486	173,700	814,432	4,943,527

Note 1. Activities

Process Systems, Inc. designs, manufactures and distributes solid state and microelectronic control and recording equipment for the US electricity supply industry. As a result of the concentration of its business in this industry, a significant portion of the Company's revenue is derived from relatively few customers. This industry, a significant portion of the net sales for the year ended 30th June 1984 was derived from three customers for the year ended 30th June 1983, approximately 43 per cent. of the net sales was derived from two customers.

Note 2. Net sales

	1980	1981	1982	1983	1984
Included in net sales of products and services is interest income of:					
—	—	857	15,568	16,833	45,663

Note 3. Provision for income taxes

	1980	1981	1982	1983	1984
Provision for income taxes comprises the following:					
Current	1,229	58,046	188,131	417,000	1,077,000
Deferred	1,239	58,046	56,131	—	—

Operating losses carried forward were offset against the above expense as follows:

	1980	1981	1982	1983	1984
During 1983 the Company utilized all remaining net operating losses carried forward:					
—	—	—	—	—	—

Note 4. Earnings per common share

Earnings per common share are calculated based on the weighted average number of common shares outstanding and equivalent shares issuable under assumed exercise of stock options retrospectively stated to reflect a 200 to 1 stock split approved by the shareholders on 11th May, 1984. The weighted average number of shares in the denominator for the years ended 30th June 1980, 1981, 1982, 1983 and 1984 respectively, was 24,363,000, 24,411,000, 23,671,400, 30,825,400 and 39,443,300 for 30th June 1980, 1981, 1982, 1983 and 1984 respectively.

Note 5. Property and equipment

	1980	1981	1982	1983	1984
Cost:					
Production/Testing equipment	103,554	114,319	181,651	224,280	838,772
Exhibition equipment	22,588	22,588	63,855	96,156	182,273
Office furniture	10,713	10,713	27,896	44,812	123,333
Leasehold improvements	6,154	6,154	21,400	27,494	1,500
Automobiles	—	—	—	—	—
Construction in progress	—	—	—	—	—
Total	142,909	153,774	273,992	392,742	1,143,578

	1980	1981	1982	1983	1984
Accumulated depreciation:					
Production/Testing equipment	33,463	51,479	85,679	120,507	184,213
Exhibition equipment	12,765	15,246	28,811	39,582	57,769
Office furniture	11,257	14,107	22,103	32,771	51,691
Leasehold improvements	2,385	2,406	2,413	3,078	38,597
Automobiles	2,119	2,458	6,574	8,847	4,887
Total	62,149	86,295	145,580	204,365	326,117
Net book value	108,771	92,053	214,522	259,130	796,480

Note 6. Inventories

Inventories comprise the following:

	1980	1981	1982	1983	1984
Finished goods and purchased equipment	4,825	37,532	55,636	336,856	448,886
Work in progress	130,521	110,510	102,850	382,028	174,208
Electronic components	26,542	61,577	95,022	185,333	460,625
Total	262,388	210,619	254,608	944,217	1,083,718

Note 7. Notes payable

Notes payable may be analysed as follows:

	1980	1981	1982	1983	1984
Demanded notes	161,324	—	—	—	—
— due within one year	52,979	51,508	27,927	20,000	—
— due after one year	304,640	228,527	128,405	75,000	—
Total	518,943	280,035	156,332	95,000	—

See Note 10 regarding debt incurred to finance future capital expenditure.

Note 8. Stockholders' equity

Common stock: Prior to 11th May, 1984, the Company was authorized by its Articles of Incorporation to issue up to 300,000 shares of Class A common stock having a par value of \$5 per share and up to 100,000 shares of Class B common stock having no par value.

On 11th May, 1984, stockholders approved certain changes to the capital structure of the Company. The number of authorized shares of Class A common stock was increased to 500,000 shares, after which the par value of each share was changed to \$0.025 from \$5 resulting in 10,000,000 authorized shares of Class A common stock. The 100,000 authorized shares of Class B common stock, of which none were issued, were cancelled.

The table below shows the amounts of common stock in issue during the period.

	1980	1981	1982	1983	1984
Common stock:					
Class A	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Class B	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Total	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000

All of the Stock Options exercisable at \$0.15 have since been exercised. In addition, 1,000,000 further options at \$0.15 were authorized but had not been granted at 30th June, 1984. The Directors have subsequently cancelled this authorization.

Transactions in common stock, capital in excess of par value and treasury stock for the five years ended 30th June, 1984, all of which have been retrospectively restated to reflect the 200 to 1 stock split approved on 11th May, 1984, were as follows:

	Common stock	Capital in excess of par value	Treasury stock
Shares	Amount	Amount	Amount
Balance at 30th June, 1979	20,804,000	622,100	329,385
Issue of 682,000 shares from treasury at \$0.025 per share	—	—	1,026
Sale of shares to employees as remuneration	—	—	(662,000)
Sale of 5,000 shares at par value of \$0.025 per share	5,000	135,000	—
Balance at 30th June, 1980	25,206,000	637,100	348,391
Exercise of Stock Options for 1,000,000 shares at par value of \$0.025 per share	1,000,000	25,000	—
Balance at 30th June, 1981	27,206,000	662,100	348,391
Exercise of Stock Options for 2,400,000 shares at par value of \$0.025 per share	2,400,000	60,000	—
Issue of shares under employee stock purchase agreements:			
4,410 shares at \$0.025 per share	4,410	110,250	—
180,000 shares at \$0.015 per share	180,000	4,500	—
Exercise of Stock Options:			
3,400,000 shares at \$0.04 per share	3,400,000	85,000	51,000
200,000 shares at \$0.015 per share	200,000	3,000	5,000
Sale of 1,340,000 shares from treasury at \$0.04 per share	—	—	(1,340,000)
Purchase of 490,000 shares into treasury	—	—	490,000
Balance at 30th June, 1982	38,316,000	957,850	389,441
Purchase of 340,000 shares into treasury	—	—	340,000
Exercise of Stock Options:			
830,000 shares at \$0.04 per share	830,000	21,200	12,750
220,000 shares at \$0.05 per share	220,000	11,000	15,400
440,000 shares at \$0.06 per share	440,000	26,400	—
100,000 shares at \$0.10 per share	100,000	10,000	7,500
200,000 shares at \$0.125 per share	200,000	25,000	—
420,000 shares at \$0.15 per share	420,000	63,000	—
Sale of 5,250,000 shares at \$0.25 per share	5,250,000	131,250	2,965,250
Share issue costs	—	(132,414)	—
Balance at 30th June, 1984	45,716,000	1,144,350	3,982,373
Since 30th June, 1984 the following further transactions have occurred:			
Purchase of 40,000 shares into treasury	—	—	40,000
Exercise of Stock Options:			
2,400,000 shares at \$0.15 per share	2,400,000	60,000	500,000
Balance at 7th December, 1984	48,116,000	1,204,350	4,582,373

Note 9. Lease commitments

The Company leases space which houses the general offices and engineering, assembly and testing facilities under several lease agreements which at 30th June 1984 provided for monthly payments of \$

